ACCA

Consolidated Financial Statements

Year ended 31 March 2020

Think Ahead

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Five-year summary

ACCA and subsidiaries

	Mar 2020 £'000	Restated Mar 2019 £'000	Restated Mar 2018 £'000	Mar 2017 £'000	Mar 2016 £'000
Operating income	**216,391**	206,074	201,176	182,153	175,696
Operating surplus/(deficit)	**8,077**	(36,309)	(8,332)	(5,974)	4,266
Other (losses)/gains	**(932)**	112	(108)	129	(231)
Net finance (losses)/income	**(4,798)**	433	31,776	1,126	1,189
Surplus/(deficit) before tax	**2,347**	(35,764)	23,336	(4,719)	5,224
Tax	**(917)**	424	(7,724)	(1,841)	(2,368)
Surplus/(deficit) for the year	**1,430**	(35,340)	15,612	(6,560)	2,856
Recognition of actuarial gains/(losses)	**10,285**	(1,027)	4,600	(16,893)	(749)
Other comprehensive income excluding actuarial gains/(losses)	**99**	653	(23,806)	11,905	3,568
Total other comprehensive income	**10,384**	(374)	(19,206)	(4,988)	2,819
Total comprehensive income	**11,814**	(35,714)	(3,594)	(11,548)	5,675

	Mar 2020 £'000	Mar 2019 £'000	1 Apr 2018 £'000	Mar 2017 £'000	Mar 2016 £'000
Non-current assets	**125,726**	164,660	177,915	133,865	106,513
Current assets	**106,333**	62,336	68,406	68,390	82,505
Total assets	**232,059**	226,996	246,321	202,255	189,018
Non-current liabilities	**56,084**	74,332	66,211	30,705	15,308
Current liabilities	**141,861**	130,364	122,096	108,136	99,712
Total liabilities	**197,945**	204,696	188,307	138,841	115,020
Accumulated fund	**34,518**	22,803	59,170	34,892	46,767
Other reserves	**(404)**	(503)	(1,156)	28,522	27,231
Total funds and reserves	**34,114**	22,300	58,014	63,414	73,998
Total reserves and liabilities	**232,059**	226,996	246,321	202,255	189,018

Members and future members

	Mar 2020	Mar 2019	Mar 2018	Mar 2017	Mar 2016
Members	**227,332**	219,031	208,549	198,614	188,137
Future members	**544,446**	527,331	503,262	486,514	480,813
	771,778	746,362	711,811	685,128	668,950

All figures are reported based on the International Financial Reporting Standards (IFRS) framework as adopted by the European Union. Following the adoption of IFRS 16 Leases, the figures for 2018 and 2019 have been restated. Full details of these changes are disclosed in note 1 of the financial statements.

Foreword

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2020.

ACCA publishes an Integrated Report which provides a wide range of information about ACCA's strategy, governance, performance and prospects to show how we create value for our stakeholders and explains the place we occupy in society.

As our Integrated Report is a wider representation of information which is important to understand ACCA's performance, we have elected not to produce a Management Commentary. The table below provides a comparison of the content of the Management Commentary with the Integrated Report to enable readers to locate specific information that may be of interest to them.

Management commentary – key headings	Content	Integrated Report reference
Introduction	Context and basis of preparation	Our integrated reporting journey and this year's report
Nature of ACCA's business	Mission and values Competitive environment Economic environment Regulatory environment Products and services	About ACCA Our value creation model
Strategy and strategic outcomes	Strategic priorities Mapping priorities to outcomes	Our strategy to 2025
Resources and relationships	**Resources:** financial, human and network; brand development **Relationships:** global partnerships, key employers, strategic partners, regulators	Our value creation model
Governance, risk and corporate assurance	Outline of our approach to governance Approach to risk management and major risk types	Our governance and leadership Our risks and their management
Strategic outcomes – review of performance	KPI results v target	Our strategic performance in 2019/20
Financial review*	Supplementary financial information	Our strategic performance in 2019/20
Social and environmental impact	Our approach to CSR and significant developments	Where deemed material, it's embedded in the appropriate section in the Integrated Report
Outlook for next year	2020/21 strategic priorities	Our strategy to 2025

*Financial performance in the financial statements is provided in accordance with IFRS. ACCA measures its financial performance at surplus/(deficit) before tax.

Readers of these financial statements are encouraged to access our Integrated Report, which can be found at: www.accaglobal.com

Impact of Covid-19

In light of the emergence and spread of the coronavirus (Covid-19), ACCA has monitored the situation closely. We have acted quickly and responsibly as there has been considerable workplace and financial impact to the business

ACCA, along with many other businesses has had to adapt to working from home and all of our staff have been working from home since the middle of March. Fortunately due to the advance of technology most of our customer service, financial governance and administrative operations have carried on largely as normal. The health and wellbeing of our staff and other stakeholders remains paramount and we are focused not only on business as usual but on keeping morale high in an environment of much less social interaction. We recognise the challenges of juggling home and work life and acknowledge the incredible resilience and agility that everyone has shown in adapting to this new way of working so successfully in such a challenging time.

However as a result of the outbreak, we cancelled March 2020 exams across China, Hong Kong SAR, Macau SAR, Taiwan region, Republic of Korea, Kuwait and Mongolia. This has impacted our overall revenue for the year but, through tight cost control and early development of mitigation plans, we were able to absorb the financial impact of these cancellations, as well as the wider market volatility present in our investments, to deliver the targeted year-end surplus. ACCA has adequate liquid reserves and a well-diversified investment portfolio.

Since the year-end we have cancelled the June 2020 exams in UK, Europe and the Americas, all of the Middle East, in most countries across the ASEAN ANZ region, in countries within ACCA's Emerging Markets portfolio including India, Botswana, Mauritius, South Africa and Zimbabwe. We continually monitored the situation closely in all other countries within these regions and have fortunately been able to reschedule exams in China, Hong Kong SAR, other ASEAN countries and some countries in Africa so they can take place in July as opposed to June.

Clearly, these cancellations have created a significant impact in terms of revenue, however mitigation plans have already been developed to reduce the financial impact to a sustainable level. We are also investigating examination options that utilise software which replicates exam centre controls and conditions in the home and therefore continue to ensure the integrity and fairness of our exams by including strict online invigilation.

Financial mitigations and supporting our stakeholders

While ACCA remains financially sustainable, to respond to the revenue impacts outlined above and to the challenges posed by the pandemic more widely, we have been putting in place a range of mitigations.

A focus on supporting all our stakeholders through the current crisis is guiding these steps.
This will see us continue to prioritise work on member and future member support and retention, exam delivery and innovation, and financial sustainability in the year ahead.

Our investment in digital delivery has been a key factor in helping us support our members, future members and wider stakeholders during the outbreak to date. Our Covid-19 online hub, launched on 12 March 2020, contains relevant information and insights for members and other stakeholders, such as regularly updated economic analysis, CPD resources for members, signposting to sources of business support from government and other agencies, and advice on how businesses can plan through a crisis.
This hub is refreshed regularly and we're also including relevant articles and interviews in our weekly member e-zine AB Direct, and our other publications.

Our future focus is enabling us to divert resources and make savings. We have also implemented a recruitment freeze and an organisation-wide pay freeze. The savings from our mitigating activities will enable us to absorb the majority of the impact of the June exam cancellations as they currently stand.

Our strategic response to the evolving crisis is ongoing, looking at all strands of impacted activity and the potential scenarios going forward.

While adhering to the fiscal prudence these extraordinary times demand, we'll continue to develop the support we provide to our members and future members to help them weather the storm.

Further information regarding the financial impact and mitigations can be found under the going concern section of note 2 to the financial statements.

Association of Chartered Certified Accountants

Consolidated income statement

For the year ended 31 March 2020

Notes		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
	Income		
6	Fees and subscriptions	**105,910**	97,079
7	Operating activities	**110,481**	108,995
	Total income	**216,391**	206,074
	Expenditure		
8	Operational expenditure	**186,707**	195,118
9	Strategic investment expenditure	**21,607**	34,765
	Total expenditure	**208,314**	229,883
	Surplus/(deficit) of income over expenditure	**8,077**	(23,809)
22	Pension past service costs	**—**	(12,500)
	Operating surplus/(deficit)	**8,077**	(36,309)
10	Other (losses)/gains	**(932)**	112
11	(Losses)/income from investments	**(2,673)**	2,590
11	Finance costs	**(2,125)**	(2,157)
12	**Surplus/(deficit) before tax**	**2,347**	(35,764)
13	Tax	**(917)**	424
	Surplus/(deficit) for the year	**1,430**	(35,340)

The accompanying notes to the financial statements, on pages 11 to 45, are an integral part of this statement.

Consolidated statement of comprehensive income

For the year ended 31 March 2020

Note		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
	Surplus/(deficit) for the year	**1,430**	(35,340)
	Other comprehensive income		
	Items that will not be reclassified to income or expenditure		
22	Recognition of actuarial gains/(losses)	**10,285**	(1,027)
		10,285	(1,027)
	Items that will be subsequently reclassified to income or expenditure		
26	Currency translation differences	**99**	653
		99	653
	Other comprehensive income for the year, net of tax	**10,384**	(374)
	Total comprehensive income for the year	**11,814**	(35,714)

The accompanying notes to the financial statements, on pages 11 to 45, are an integral part of this statement.

Consolidated balance sheet as at 31 March 2020

Notes		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000	Restated 1 Apr 2018 £'000
	ASSETS			
	Non-current assets			
14	Property, plant and equipment	**46,682**	51,638	56,148
15	Intangible assets	**13,436**	13,695	15,616
16	Non-current financial assets	**65,608**	99,327	106,151
		125,726	164,660	177,915
	Current assets			
17	Trade and other receivables	**33,572**	31,433	26,153
16	Other current financial assets	**45,560**	15,030	25,006
18	Derivative financial instruments	**131**	304	—
19	Cash and cash equivalents	**27,070**	15,569	17,247
		106,333	62,336	68,406
	Total assets	**232,059**	226,996	246,321
	RESERVES AND LIABILITIES			
	Funds and reserves			
	Accumulated fund	**34,518**	22,803	59,170
26	Other reserves	**(404)**	(503)	(1,156)
	Total funds and reserves	**34,114**	22,300	58,014
	Non-current liabilities			
21	Deferred tax liabilities	**—**	299	435
20	Lease liabilities	**38,200**	42,144	45,035
22	Retirement benefit obligations	**17,884**	31,889	20,741
		56,084	74,332	66,211
	Current liabilities			
23	Trade and other payables	**39,868**	37,662	34,176
20	Lease liabilities	**6,600**	6,216	6,220
	Tax payable	**8**	—	3,056
24	Deferred income	**89,805**	79,983	72,715
18	Derivative financial instruments	**951**	192	—
25	Provisions	**4,629**	6,311	5,929
		141,861	130,364	122,096
	Total liabilities	**197,945**	204,696	188,307
	Total reserves and liabilities	**232,059**	226,996	246,321

The financial statements were approved and authorised for issue by Council on 4 July 2020 and signed on its behalf by:

J Gu, President

B Sheehan, Chair of Audit Committee

The accompanying notes to the financial statements, on pages 11 to 45, are an integral part of this statement.

Association of Chartered Certified Accountants

Consolidated statement of changes in members' funds

For the year ended 31 March 2020

	Other reserves			
	Currency translation £'000	**Available-for-sale investments £'000**	**Accumulated fund £'000**	**Total £'000**
Balance at 1 April 2018 as previously reported	(1,156)	5,872	56,211	60,927
Opening reserves adjustment				
Change in accounting policies				
IFRS 15 adoption	—	—	(1,806)	(1,806)
IFRS 9 reclassification to accumulated fund	—	(5,872)	5,872	—
Adjusted balance at 1 April 2018	(1,156)	—	60,277	59,121
IFRS 16 adoption	—	—	(1,107)	(1,107)
Balance at 1 April 2018 - restated	(1,156)	—	59,170	58,014
Comprehensive income				
Deficit for the financial year - restated	—	—	(35,340)	(35,340)
Other comprehensive income				
Currency translation	653	—	—	653
Recognition of actuarial losses	—	—	(1,027)	(1,027)
Total other comprehensive income	653	—	(1,027)	(374)
Total comprehensive income for year	**653**	**—**	**(36,367)**	**(35,714)**
Balance at 31 March 2019 - restated	**(503)**	**—**	**22,803**	**22,300**
Adjusted balance at 1 April 2019	(503)	—	22,803	22,300
Comprehensive income				
Surplus for the financial year	—	—	1,430	1,430
Other comprehensive income				
Currency translation	99	—	—	99
Recognition of actuarial gains	—	—	10,285	10,285
Total other comprehensive income	99	—	10,285	10,384
Total comprehensive income for year	**99**	**—**	**11,715**	**11,814**
Balance at 31 March 2020	**(404)**	**—**	**34,518**	**34,114**

The analysis of reserves is presented in note 26.

The accompanying notes to the financial statements, on pages 11 to 45, are an integral part of this statement

Consolidated cash flow statement

For the year ended 31 March 2020

Notes		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
	Cash flows from operating activities		
30	Cash generated from/(absorbed by) operations	**27,394**	(4,201)
	Tax paid	**(762)**	(3,214)
	Net cash from/(used in) operating activities	**26,632**	(7,415)
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	**(5,479)**	(6,262)
	Cash expended on intangible assets	**(5,673)**	(3,607)
	Acquisition of financial assets	**(71,602)**	(23,462)
	Disposal of property, plant and equipment	**99**	80
	Disposal of financial assets	**71,061**	41,753
	Interest received	**75**	148
	Dividends received	**982**	951
	Net cash (used in)/generated from investing activities	**(10,537)**	9,601
	Cash flows from financing activities		
	Proceeds from lease liabilities	**3,217**	2,853
	Repayment of lease liabilities	**(6,777)**	(5,748)
	Interest paid	**(128)**	(295)
	Interest expense on lease liabilities	**(1,257)**	(1,348)
	Net cash absorbed by financing activities	**(4,945)**	(4,538)
	Net increase/(decrease) in cash and cash equivalents	**11,150**	(2,352)
	Cash and cash equivalents at beginning of year	**15,569**	17,247
	Exchange gains on cash and cash equivalents	**351**	674
19	**Cash and cash equivalents at end of year**	**27,070**	15,569

The accompanying notes to the financial statements, on pages 11 to 45, are an integral part of this statement.

Notes to the financial statements

For the year ended 31 March 2020

1. General information

ACCA is a body incorporated under Royal Charter with statutory recognition in the UK. Council has concluded that as an international organisation, ACCA should prepare financial statements which comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

These financial statements are presented in pounds sterling because that is the currency of the parent undertaking which is domiciled in the UK. All values are rounded to the nearest thousand pounds. Non-UK operations are included in accordance with the policies set out in note 2.

Restatement of prior year figures
Following the adoption of IFRS 16 Leases, using the full retrospective approach, the figures for the years ending 31 March 2018 and 31 March 2019 have been restated.

New and amended standards adopted during the year and changes in accounting policies
ACCA has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2019.

- *IFRS 16: Leases*
  IFRS 16: Leases replaces IAS 17 Leases along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions involving the Legal Form of a Lease') and Amendments to IFRS 16,Covid-19-Related Rent Concessions.

  IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 was introduced on 1 January 2019 and impacts on the ACCA's financial statements as it changes how ACCA accounts for leases, which were previously classed as operating leases. IFRS 16 is mandatory and ACCA has adopted the full retrospective approach from 1 April 2019. ACCA has recognised the cumulative effect of applying IFRS 16 at the start of the earliest comparative period (i.e. 1 April 2018) as if the accounting requirements under the new accounting standard had already been applied and restated the comparative information of the financial statements. A right-of-use asset together with a related lease liability will be required to be recognised in the financial statements. The adoption of the new standard has resulted in ACCA recognising a right-of-use asset together with a related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of the initial application. ACCA has assessed that this treatment will only apply to all of its rented offices. The effect of first-time adoption of this standard has reduced opening net assets at 1 April 2018 by £1.1m. ACCA has calculated that on 1 April 2018, the net book value of right-of-use assets brought onto the balance sheet was £39.8m and the value of the corresponding lease liability was £51.3m, though it should be noted that this liability includes provision for dilapidations. The impact on the income statement for the year ended 31 March 2019 was an increase in costs of £0.6m. The calculations use a discount rate appropriate to the rate implicit of borrowing at the time of the lease being taken out. The annual discount rates over all of ACCA's rented offices range from between 2% and 4.69%.

ACCA completed an assessment of the impact of IFRS 16 using the method as outlined in the standard.

- *IFRIC Interpretation 23: Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over Income Tax Treatments.

- *IAS 38 Intangible Assets*
  ACCA has changed its accounting estimate for amortising intangible assets from four years to between four and seven years. The change in accounting estimate reflects the longevity over which the Digital Transformation assets will be used. This change will only impact new intangible assets established as part of the Digital Transformation programme which came into service from July 2019.

Notes to the financial statements

For the year ended 31 March 2020

1 **General information (continued)**

New and revised IFRS in issue but not yet effective

At the year end the following new standards, interpretations and amendments, which have not been applied in these financial statements, may have an effect on ACCA's future financial statements:

- *IFRIC Interpretation 22: Foreign currency transactions and advance considerations*
  IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency
- *IFRS 14: Regulatory Deferral Accounts*
  IFRS 14 Regulatory Deferral Accounts specifies the reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.
- *Amendments to IFRS 10*
  The amendments clarify the accounting for transactions where a parent loses control of a subsidiary that does not constitute a business as defined in IFRS 3: Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.
- *Annual improvements to IFRSs (2015-2019)*
  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- *Amendments to References to the Conceptual Framework in IFRS Standards*
  The amendments support transition to the revised Conceptual Framework for companies that develop accounting policies when no IFRS Standard applies to a particular transaction.

Significant accounting policies

2 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) *Basis of preparation*

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative instruments at fair value through profit or loss.

(b) *Going concern*

The financial statements have been prepared on a going concern basis. ACCA delivered a net surplus after tax of £1.4m for the year ended 31 March 2020 and as of that date current assets exceeded current liabilities by £54.3m after adjusting for £89.8m of deferred revenue. At the balance sheet date ACCA had £27.1m of cash, £45.6m of short-term deposits and financial assets valued at £65.6m.

Due to the global spread of Covid-19 and the extraordinary measures enacted by governments, ACCA's revenue streams during 2019/20 have been significantly impacted. ACCA responded quickly when the scale of the impact became known and cancelled all exams across China, Hong Kong SAR, Macau SAR, Taiwan region, Republic of Korea, Kuwait and Mongolia during March 2020 resulting in £6.3m of revenue loss against the 2019/20 budget.

In response to the crisis, a Strategic Response Team ("SRT") was created to combine both a strategic and tactical response to the crisis. Strategic priorities to deliver exams and innovate, Member and Future Member support and ensure financial sustainability were established for 2020/21. Immediate mitigating actions to reduce operating costs were applied including the removal of any employee or executive merit award for 2019/20 together with a freeze in pay increases for 2020/21 and a hold on new recruitment. In addition, the SRT created and ran various scenarios to consider the short, medium, and long-term implications of the Covid-19 pandemic on the annual budget and five-year projection.

2 Significant accounting policies (continued)

(b) *Going concern (continued)*

A revised budget for 2020/21 and associated five-year projection was approved by the Council Board on 24 April 2020 which reflects ACCA's best estimate of the impact of Covid-19. In preparing the revised budget for 2020/21 ACCA reduced revenue projections by £26.2m, operating costs by £11.2m and strategic investment by £5.1m.

The revenue reduction is predominantly due to the cancellation of the June 2020 exam session which ACCA announced on 20 April 2020 but also includes impacts from lower recruitment, retention and reduced revenue from courses and events. The operating cost reductions noted of £11.2m have been implemented across ACCA's global operations. Aligned to the strategic priorities, strategic investment has been reprioritised to delay certain projects but also includes new investment on a solution to allow ACCA students to sit computer-based exams within their own home ("exams at home"). This digital platform will mitigate a prolonged or 'second wave' event of Covid-19.

In assessing going concern, ACCA considered a range of scenarios where Covid-19 restricts the ability to hold physical exams for additional quarterly exams sessions. The impact of these worsening scenarios is mainly focused on revenue loss from cancelled examinations (both sessional and on-demand) and lower recruitment and retention of customers. The revised budget agreed with Council reflects the cancellation of the June session but includes an extraordinary session held in July to support our students across a number of markets, predominantly those impacted by the March cancellation. There has been a good response from students to this change and it has also been welcomed by our suppliers and partners.

Stress tests were carried out on ACCA's cashflow under these scenarios across 3 years. ACCA has a cyclical cashflow driven by the quarterly exam sessions and annual subscription cycle. In the normal course of business, the low point of the cash cycle is between October and November each year. As a result of these stress tests, ACCA requires additional funding under the revised plan of £25m and has received a credit approved offer for a 3 year revolving credit facility ("RCF") with Barclays PLC.

This facility provides flexible access to working capital when ACCA requires it, generally between July and November, and allows ACCA to maintain its £65.6m investment portfolio for the longer term in line with ACCA's investment strategy. These funds would also be available should there be a continuance of current measures which may threaten the delivery of the September exam session. ACCA has developed mitigating plans under this scenario and these plans would seek to further reduce operating expenditure and delay or cancel in-flight strategic projects.

When considering the extreme scenario stress test, a critical judgement is the successful deployment of exams at home for on-demand and sessional exams where it is not possible to use exam centres. It is assumed that these solutions would allow ACCA to hold up to 50% of exams, even if lockdown conditions continued to apply, thereby mitigating the impact on lost income in the stress tests. ACCA have successfully deployed the exams at home solution for on-demand exams in June 2020 and are planning for deployment of the sessional exams in September 2020. Assuming the continued success of this solution, the stress test scenario forecasts that ACCA would continue to remain solvent for at least 12 months after the date of signing the accounts should our operations experience a continued impact from Covid-19.

At the time of approving the financial statements, based on the financial scenarios developed and availability of cash and funding, Council has a reasonable expectation that ACCA has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties about its ability to continue as a going concern.

2 Significant accounting policies (continued)

(c) *Critical accounting estimates and judgements*

The preparation of the consolidated financial statements requires ACCA to make certain accounting estimates and judgements that have an impact on the policies and the amounts reported in the consolidated financial statements. Estimates and judgements are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made. Actual experience may vary from these estimates.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

i) Pension and other post-employment benefits
ACCA accounts for pension and other post-employment benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of ACCA's defined benefit pension schemes, a number of assumptions are used which include the discount rate, salary growth, price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 22 to the consolidated financial statements.

ii) Taxation
ACCA is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the balance sheet. Deferred tax assets and liabilities are measured using tax rates substantially enacted by balance sheet date expected to apply when the temporary differences reverse. ACCA operates in many countries in the world and is subject to many tax laws and regulations. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the financial statements. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the financial statements of the year in which it crystallises.

iii) Revenue recognition
ACCA's main income is derived from subscription income and examination income. As ACCA's subscription year is not coterminous with the financial year, ACCA has processes in place to ensure that the recognition of those income streams is in the correct period. In addition there are processes in place to ensure that exam fee income received in advance of providing the exam is deferred into the relevant period, and that subscription income for the year is deferred as appropriate. An adjustment to income is made each year which reflects the anticipated value of the expected credit loss which has been invoiced in services being provided.

iv) Impairment of non-financial assets
ACCA assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangible assets are tested for impairment annually and at other times when such indicators exist. The recoverable amounts have been determined based on value-in-use calculations, which requires management to estimate future cash flows. The use of this method requires judgement around whether an impairment review is triggered, the selection of a suitable discount rate in order to calculate the present value of future cash flows, and assumptions related to the expected number of students sitting exams. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

v) Provision for credit loss
ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates.

2 Significant accounting policies (continued)

(c) *Critical accounting estimates and judgements (continued)*

vi) Leased assets
ACCA applies IFRS 16 to account for its right-of-use assets and the related lease liabilities. ACCA assesses whether or not a rental contract contains a lease, whether or not an extension option will be exercised, whether or not a termination option will not be exercised and whether or not variable leased payments are truly variable or in-substance fixed. ACCA will use its judgement when making these assessments and will consider all facts and circumstances.

In applying IFRS 16, ACCA will calculate the appropriate discount rate to use, estimate the lease term and estimate variable lease payments dependant on an index or rate as appropriate.

(d) Income
Income as presented in the consolidated income statement is revenue as defined under IFRS 15 – Revenue from Contracts with Customers. The following accounting policies relate to ACCA's key income streams.

- Members', students' and affiliates' subscriptions are accounted for as income in the period to which they relate.
- Member admission fees are accounted for as income from the date on which the member is admitted to the date of the member's first annual subscription.
- Student registration fees are accounted for as income from the date of registration to the date of the student's first annual subscription.
- Income from qualifications and examinations relate to examination and exemption income from the professional qualification and our entry level qualifications. Examination income is accounted for in the period in which the related exam session took place, while exemption income is accounted for in the period in which it was awarded.
- Income generated from publications relates to royalties, advertising and mailing services. Royalties receivable in respect of the assignment, to third parties, of copyrights in educational publications are accounted for as income in the period in which the underlying sales take place.
- Course income is accounted for as the services are performed.
- Income from regulation and discipline relates to annual licence fees, monitoring visit fees and fines recoverable, and all are accounted for as income in the period to which they relate.
- Other revenues are recorded as earned or as the services are performed.

(e) Basis of consolidation
The consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in members' funds, and consolidated cash flow statement of ACCA and its subsidiaries (the group) as if they formed a single entity drawn up to 31 March 2019 and 31 March 2020. Where ACCA has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Inter-company transactions and balances between group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(f) Segmental reporting
ACCA has one operating segment and this is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Team that makes the strategic decisions. Within that segment, income activities are reported by type and expenditure activities are reported by function.

2 Significant accounting policies (continued)

(g) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Cost includes all expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequently, property is regularly revalued at fair value as appropriate, with a formal third-party valuation every three years. Surpluses arising on revaluations are recognised in other comprehensive income and fair value reserve. Deficits that offset previous surpluses of the same asset are taken to fair value reserve while all other decreases are charged to other comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the fair value reserve is transferred to the accumulated fund.

(h) Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land which is not depreciated, at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- leasehold improvements - over the unexpired portion of the lease;
- plant and equipment - over 4 to 10 years;
- computer systems and equipment - over 2 to 4 years.

(i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from ACCA's development projects and other intangible assets are recognised only if all the following conditions are met:

- it is technically feasible to complete the product so that it will be available for use,
- the intention is to complete the product for internal use or to sell it,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Directly attributable costs that are capitalised include project employee costs and an appropriate portion of relevant overheads. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Other intangible assets include development projects where the majority of the costs are the purchase of materials and services to help support the implementation of the internally generated intangible assets. The internally generated and other intangible assets are amortised over their estimated useful lives, which are usually between four and seven years. Amortisation begins when the intangible asset is available for use.

(j) Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, financial assets, certificates of deposit, derivative financial instruments, trade and other receivables and trade and other payables. Financial instruments are initially valued at fair value. Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, financial instruments are measured as set out below.

Trade and other receivables

Trade and other receivables are stated at amortised cost based on the original invoice amount less a provision for any irrecoverable amounts. Provision is made in accordance with IFRS 9 using the simplified approach to lifetime expected credit loss. Bad debts are written off when identified. Terms on receivables balances range from 30 to 90 days.

Trade and other payables

Trade and other payables are recognised at amortised cost. Terms on trade payables balances range from immediate to 30 days.

2 Significant accounting policies (continued)

(j) Financial instruments (continued)

Financial assets

The portfolio of investments, which includes property funds, is managed by professional fund managers, held for the long term and classified as financial assets. An equity instrument measured at fair value through profit or loss is recognised initially at fair value directly attributable to the financial asset. After initial recognition, the asset is measured at fair value at the balance sheet date. Unrealised and realised changes in fair value are included as "finance income" through profit or loss in the consolidated income statement. When the financial assets are sold the gain or loss from fair value changes will be shown in profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand and short-term deposits with banks and similar institutions, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. This excludes certificates of deposit and cash funds, which are classified as other current financial assets. Short-term is defined as being three months or less. This definition is also used for the cash flow statement.

Cash funds

The portfolio of cash funds, which is managed by professional investment fund managers, is held for the short to medium term and is classified as other current financial assets. The investments in the cash funds are carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value through profit or loss (FVPL) in the consolidated income statement. When the cash funds are sold the gain or loss from fair value changes will be shown in profit or loss. Where an impairment loss arises from the fair value being below cost, this is recognised in the consolidated income statement.

(k) Impairment of financial assets

At each balance sheet date ACCA reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the recoverable amount is less than the carrying value, an impairment loss is recognised. Subsequent to recognising that impairment, the impairment may be recovered if an event occurred that reverses the impairment indicator. An impairment loss is charged to the consolidated income statement immediately unless the asset is carried at its revalued amount (see note 2j).

In respect of financial assets, at the balance sheet date ACCA assesses whether there is objective evidence that the financial assets are impaired. In the case of equity investments classified as financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for these assets, the cumulative loss, which is measured as the acquisition cost and the current fair value, is recognised in the consolidated income statement.

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated. Factors such as any deterioration in country risk, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are taken into consideration and the amount of the provision is based on the historical loss pattern within each group.

(l) Impairment of non-financial assets

Intangible assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2 Significant accounting policies (continued)

(m) Leased assets

ACCA has applied IFRS 16 using the full retrospective approach. The impact is disclosed in Note 14.

At the inception of a contract, ACCA assesses whether a contract is, or contains, a lease. To assess whether a contract contains a lease, ACCA considers whether the contract conveys the right to control or use an identified asset by:

- the contract involves the use of an identified asset either explicitly or implicitly. The asset should be physically distinct or represent substantially all the capacity of the asset. If the supplier has the right of substitution, then the asset is not identified,
- ACCA has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use,
- ACCA has the right to direct the use of the asset. ACCA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

ACCA has initially applied IFRS 16 on 1 April 2019 using the full retrospective approach. Accordingly, ACCA has recognised the cumulative effect of applying IFRS 16 at the start of the earliest comparative period (i.e. 1 April 2018) as if the accounting requirements under the new accounting standard had always been applied and restated the comparative information of the financial statements. At inception or reassessment of a lease of land or buildings, ACCA has elected to separate non-lease components and account for the lease and non-lease components separately.

As a lessee

ACCA recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the initial lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily identified, the Bank of England weighted monthly average index rate for non-financial institutions.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments,
- variable lease payments that depend on an index or rate, and
- lease payments in an optional renewal period if ACCA is reasonably certain to exercise that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if ACCA changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ACCA presents right-of-use assets in ‘property, plant and equipment’ and lease liabilities within its own section in the consolidated balance sheet.

2 Significant accounting policies (continued)

(m) Leased assets (continued)

Short-term leases and leases of low-value assets

ACCA has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. ACCA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Tax

Tax includes all taxes based upon the taxable profits of the group. Full provision for deferred taxation is made using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax movements in respect of unrealised revaluation gains are taken to the income statement. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(o) Foreign currencies

Transactions in foreign currencies are converted into sterling, which is the presentational currency of the group, at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including the financial statements of the non-UK subsidiary undertakings, are translated at the rate of exchange ruling at the balance sheet date. On consolidation, the income and expense items of the non-UK subsidiary undertakings are translated at the average exchange rates for the period. Exchange differences on the translation of the assets and liabilities of the non-UK subsidiary undertakings are taken to the currency translation reserve.

(p) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. ACCA enters into forward currency contracts, whereby the exchange rate is agreed in advance and the currency is bought on a monthly basis. ACCA's forward currency contracts are classified as current assets or current liabilities as the maturity of the contracts are less than 12 months. Gains and losses on forward exchange contracts are recognised in the consolidated income statement at fair value. ACCA does not engage in any other hedging activities.

(q) Provisions

Provisions for costs are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

(r) Pensions

ACCA has two closed defined benefit pension schemes, one in the UK and one in Ireland. Both schemes require contributions to be made to separately administered funds. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are charged or credited in the consolidated income statement in the period in which they arise. The liability recognised in the balance sheet in respect of the defined benefit pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Interest on the liability is calculated using the discount rate and is recognised immediately in the consolidated income statement. The assets of both schemes are held separately from those of ACCA and are measured using market values. For quoted securities the market price is taken as the bid price.

ACCA operates defined contribution pension schemes for qualifying employees within the UK and Ireland and for certain employees outside the UK and Ireland. Contributions are charged in the consolidated income statement as they become payable in accordance with the rules of the schemes. ACCA has no further payment obligations once the contributions have been paid.

2 Significant accounting policies (continued)

(s) Contingent liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent liability exists when a possible obligation which has arisen from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACCA, or when a present obligation that arises from past events is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3 Financial risk management

The main financial risks arising from ACCA's activities are credit risk, liquidity risk and market risk. These are monitored by management on a regular basis.

Credit risk management

Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, investments in pooled cash funds, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers, and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. For working capital balances ACCA considers a figure of £20m per bank and £25m per pooled cash fund to be sufficient although this can be exceeded around times of high activity such as collection of subscription and exam income.
ACCA's trade receivables relate substantially to members' and students' fees and subscriptions. The credit risk is that the customer fails to discharge its obligation in respect of the instrument. ACCA has no significant concentration of credit risk, with exposure spread over a large number of customers and countries throughout the world and a requirement to pay in advance for exams. ACCA believes that the maximum exposure equates to the carrying value of trade and other receivables. Management reviews the trade receivables balance on a regular basis and undertakes an exercise to remove students and members from the receivables ledger and members' register for non-payment of annual fees and subscriptions. The level of removals is shown in notes 12 and 17 of the consolidated financial statements. At the balance sheet date 89% of ACCA's trade and other receivables were held in sterling (2019: 90%).

Liquidity risk

Liquidity risk arises from ACCA's management of working capital. It is the risk that ACCA will encounter difficulty in meeting its financial obligations as they fall due. ACCA manages its liquidity risk by ensuring that it has adequate banking facilities and by performing cash flow forecasting on a regular basis. ACCA receives the majority of its income as subscriptions at the start of the calendar year, or as exam fees, relating to four exam sessions each year. Cash not required for short-term operating purposes is invested to maximise return with an acceptable level of risk.
In addition to its own bankers, ACCA has used a specialist cash management company to invest cash surpluses with major banks of suitable credit standing to spread the risk, and currently invests in cash fund products with that company. Cash surpluses are invested in interest bearing current and call accounts, term deposits, time deposits and short-term cash funds. At the balance sheet date, ACCA held £45.6m (2019: £15.0m) in short-term cash funds and £27.1m (2019: £15.6m) in call accounts that are expected to readily generate cash inflows for managing liquidity risk. All term and time deposits are due in less than one year. Liquidity is managed to ensure investments are liquidated in a timely manner to meet operating requirements.

Market risk

Market risk arises from ACCA's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

3 Financial risk management (continued)

Market risk (continued)
Interest rate risk relates to the risk of loss due to fluctuations in cash flows and the fair value of financial assets and liabilities (including the pension scheme liabilities), due to change in market interest rates. ACCA invests surplus cash in the short-term and in doing so exposes itself to the fluctuation in interest rates that are inherent in such a market. A movement in the interest rate of 1.5% either way would not have a material effect on the surplus reported in the financial statements.

Currency risk relates to the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange risk. ACCA operates internationally and is exposed to foreign currency exchange risk arising from the transfer of foreign currency to its national offices. Where possible, ACCA will allow the national offices to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. However, many national offices have insufficient reserves of their functional currency and rely on transfers of foreign currency from ACCA. ACCA mitigates the risk with regards to income because the vast majority of fees and subscriptions charged by ACCA are in sterling. In addition, ACCA uses forward currency contracts to mitigate the risk of currency fluctuations. At the balance sheet date 68% of ACCA's cash and cash equivalents were held in sterling (2019: 58%).

Other price risk relates to the risk of changes in market prices of the non-current and current financial assets and the investments held by the defined benefit pension schemes. ACCA invests in a variety of funds operated by different investment managers and in doing so exposes itself to the fluctuations in price that are inherent in such a market. The effect of a 10% increase in the value of the non-current financial assets held at the balance sheet date would have resulted in an increase in the fair value gains of £3.9m (2019: £8.1m) net of deferred tax. A 10% decrease in their value would, on the same basis, have resulted in the increase in the fair value losses by £6.9m (2019: £10.8m).

Other risks in relation to the impact of Covid-19
Covid-19 has had a major impact on the global economy. It has impacted ACCA with regards to all the above-mentioned risks in the following ways:

- Credit risk – due to lockdowns in various countries there is a risk that members and students will be unable to pay subscriptions, exam fees etc. ACCA has allowed more time to pay however it has reviewed its expected credit losses in light of Covid-19 and provided for further unpaid debts.
- Liquidity risk – ACCA had to cancel exams at both March and June 2020 which has led to reduced revenue and reduced cashflow. ACCA has looked at various scenarios and has arranged loan facilities of up to £25m with its main banker, Barclays Bank plc.
- Market risk – during March 2020 the stock markets were very volatile and fell dramatically. ACCA's investments suffered unrealised losses overall for the year as per note 16. ACCA invests in a diversified portfolio of investment funds to reduce volatility and to mitigate risk.

4 Segmental reporting

ACCA has taken the view that, for reporting purposes, it has one operating segment which relates to the supply of services to its stakeholders including members, students and affiliates. ACCA does not report income or expenditure by region, activity or product type. During the year ACCA's income activities were organised by category: Fees and subscriptions, qualifications and examinations, member and student engagement, markets, regulation and discipline and other income. These are ACCA's categories reported internally for income purposes and are detailed in notes 6 and 7. Short descriptions of the main categories are as follows:

- Fees and subscriptions: Comprise members', students' and affiliates' fees and subscriptions for the relevant period
- Qualifications and examinations: Examination and exemption income from the Professional and other qualifications
- Member and student engagement: Income generated from royalties, mailing services and advertising
- Markets: Continuing Professional Development (CPD) income, locally generated markets income and sponsorship
- Regulation and discipline: Audit, practice and other certificates

Expenditure is reported internally by function and these are detailed in notes 8 and 9. A short description of the expenditure categories are as follows:

- Chief Executive's Office: Chief Executive non-salary costs
- Strategy and Development: delivery of strategic outcomes, corporate training, market research, brand management, public relations, publishing, technical policy and research, development and maintaining of qualifications, ensuring the integrity of the syllabus and of the examination process, verifying and awarding exemptions and setting and scrutiny of exam papers
- Markets: Staff, operational and corporate marketing and promotional costs of ACCA's global operations and IFAC costs
- Governance: Regulation of members, secretariat, professional conduct, practice monitoring, legal services and internal audit
- People: Human Resources, corporate recruitment and talent and capability
- Finance and Operations: IT, pension costs, depreciation, corporate services, finance and procurement, member and student support, examinations, service improvements
- Strategic investment: Investment in IT, exam delivery, transformation of customer facing business processes and market development

5 Capital

ACCA considers its capital to be its accumulated fund and its other reserves. Council's financial objective is to generate a targeted operating position, to build and maintain reserves at a sustainable level, taking into account the various competitive risks. ACCA also aims to achieve additional long-term growth in reserves through the active management of the investment portfolio. A five-year financial plan has been developed which, over the period of the plan, targets an agreed level of accumulated fund. At 31 March 2020, the Accumulated Fund represented 48 days of operating expenditure (31 March 2019: 32 days) which is below the long-term aspiration of 60 days. This reflects the ongoing current investment in our transformation programme and the impact of the historic pension adjustment.

Council has reviewed its liquidity measure and has agreed that it will maintain a level of liquid reserves to cover ACCA's exposure to corporate risks that would result in a consequential loss to ACCA which could reduce overall financial strength and create a risk that ACCA was unable to settle liabilities as they fall due. Liquid reserves are defined as the total of cash, liquid short-term and long-term investments, less any short-term borrowing. Any investments in illiquid funds or securities, e.g. property funds, will be excluded from this classification. ACCA's Council Board reviews the financial position of ACCA at each board meeting.

ACCA is not subject to any material externally imposed capital requirements.

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
6	**Fees and subscriptions**		
	Members	**52,035**	48,416
	Affiliates	**8,276**	7,903
	Students	**45,599**	40,760
		105,910	97,079

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
7	**Operating activities**		
	Qualifications and exams	**98,677**	95,315
	Member and student engagement	**1,337**	2,293
	Markets	**4,202**	4,900
	Regulation and discipline	**6,014**	6,099
	Other income	**251**	388
		110,481	108,995

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
8	**Operational expenditure**		
	Chief Executive's Office	**64**	39
	Markets	**48,330**	49,705
	Strategy and Development	**20,601**	22,443
	Governance	**15,546**	19,563
	People	**10,940**	12,032
	Finance and Operations	**91,226**	91,336
		186,707	195,118

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
9	**Strategic investment expenditure**		
	Exams Delivery	**4,287**	6,447
	Market Development	**196**	2,031
	Market Adoption	**2,757**	7,554
	Digital Transformation (formerly Renovate core capabilities)	**10,162**	11,157
	Digital	**2,151**	2,963
	Information management	**541**	1,052
	Portfolio Management	**1,513**	3,561
		21,607	34,765

Strategic investment expenditure relates to project costs within each category, and once a project has reached completion then any ongoing expenditure is treated as operational. During the previous year, it was agreed to invest in upgrading ACCA's core IT infrastructure to create a digital business capability that enables ACCA's 2025 strategy with the aim of being more commercially agile and better attuned to customers' needs. The Digital Transformation programme was formerly called Renovate core capabilities. The project will deliver the various business systems, processes and data needed to achieve ACCA's strategy, whereas the Digital programme will focus on the customer journey and the various interactions with our business systems. The Market Adoption programme relates to ensuring that the markets are able to embrace the changes made to the qualification. Portfolio management relates to the net of portfolio overheads, capitalisation, amortisation and impairment.

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
10	**Other (losses)/gains**		
	Forward currency contracts	**(932)**	**112**

Notes to the financial statements

For the year ended 31 March 2020

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
11	**Finance costs and investment (losses)/income**		
	(Losses)/income from investments		
	Interest receivable	**75**	148
	Dividends from investments	**982**	951
	Realised gains on disposals of investments	**758**	2,567
	Unrealised losses on change of fair value of investments	**(4,488)**	(1,076)
		(2,673)	2,590
	Finance costs		
	Net finance interest on defined benefits pension schemes	**(740)**	(514)
	Interest expense for leasing arrangements	**(1,257)**	(1,348)
	Other interest payable	**(128)**	(295)
		(2,125)	(2,157)

12 Surplus/(deficit) before tax

Surplus/(deficit) before tax includes the following:

(a) *Salaries and related costs*

The costs of employing staff during the year were as follows:

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
Salaries	**62,431**	63,546
Social security costs	**6,650**	6,556
Pension costs (note 22)	**6,651**	18,941
Other staff costs	**2,097**	4,114
	77,829	93,157

The average number of employees was 1,420 (31 March 2019: 1,402). The average annual salary was £43,965 (31 March 2019: £45,325). The figures above include the salaries and bonuses payable to the Executive Team (see note 27 for more details). It should be noted that because of Covid-19, the Remuneration Committee approved the Executive Team's recommendation that merit awards for the current year would be cancelled for all staff.

(b) *Income*

Income from subscriptions, examination and exemption fees amounting to £201.8m (31 March 2019: £189.8m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £16.4m (31 March 2019: £12.3m).

(c) *Depreciation, amortisation, impairment and foreign exchange losses*

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
Depreciation of property, plant and equipment	**3,804**	3,711
Depreciation of right-of-use assets	**6,189**	6,204
Total depreciation	**9,993**	9,915
Amortisation of intangible assets	**5,932**	5,528
Foreign exchange losses/(gains)	**931**	(657)

(d) *Auditors' remuneration*

Fees payable to ACCA's auditor, Grant Thornton, for the audit of

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
– the parent undertaking and consolidated financial statements	**77**	65
– audit fees for UK subsidiaries and charities	**45**	38
– audit fees for the corporate KPIs	**4**	4
– audit fees for the ACCA Staff Pension Scheme	**9**	8
	135	115

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
12	**Surplus/(deficit) before tax (continued)**		
(d)	*Auditors' remuneration (continued)*		
	Fees payable to ACCA's other auditors and their associates for		
	– audit fees for non-UK subsidiaries	**64**	58
	– non-audit services in China	**11**	12

13 Tax

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
The amounts charged in the statement of comprehensive income are as follows:		
Current income taxes at 19% (2019: 19%) on the surplus/(deficit) for the year	**810**	830
Under/(over) provision in respect of prior year	**107**	(1,254)
	917	(424)
The current tax charge is split as follows:		
Domestic	**(299)**	(948)
Foreign	**1,216**	524
	917	(424)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
Factors affecting the tax charge for the year		
Surplus/(deficit) before tax	**2,347**	(35,764)
Surplus/(deficit) before tax multiplied by the standard rate of UK Corporation tax of 19% (2019: 19%)	**446**	(6,795)
Effects of:		
Under/(over) provision in previous years	**107**	(1,254)
Overseas withholding taxes suffered as a deduction	**936**	455
Non-taxable income	**(743)**	(707)
Expenditure not deductible for tax purposes	**1,447**	2,694
Deferred tax not recognised	**(2,040)**	4,869
Chargeable gains net of indexation	**579**	436
Difference in jurisdictions' tax rates	**185**	(122)
	471	6,371
Total tax charge	**917**	(424)

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of investments, where applicable. The subsidiary companies pay local tax based on their company of operation and this has been included in the current tax calculations.

The UK Corporation tax rate of 19% took effect from 1 April 2018. A change was announced in the Finance (No.2) Bill 2019 which will reduce the main rate of corporation tax to 18% from 1 April 2020 rather than the 17% previously announced. This bill was substantively enacted as part of the Finance (No.2) Act 2019 and so the effect of this change has been included in the financial statements where relevant. However the April 2020 budget indicated that the main rate of corporation tax would remain at 19% from 1 April 2020.

14 Property, plant and equipment

	Right-of-use assets £'000	Leasehold improvements £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation					
At 1 April as previously reported	—	13,912	7,022	19,932	40,866
Impact of IFRS 16 adoption	51,085	—	—	—	51,085
At 1 April 2018 as restated	51,085	13,912	7,022	19,932	91,951
Additions	2,853	1,078	485	879	5,295
Adjustment on dilapidations	—	967	—	—	967
Disposals	(2,586)	(357)	(780)	(525)	(4,248)
Exchange difference	—	(15)	(135)	(95)	(245)
At 31 March 2019	**51,352**	**15,585**	**6,592**	**20,191**	**93,720**
Additions	3,217	977	553	732	5,479
Disposals	(2,388)	(378)	(456)	(230)	(3,452)
Exchange difference	—	(261)	(98)	(340)	(699)
At 31 March 2020	**52,181**	**15,923**	**6,591**	**20,353**	**95,048**
Accumulated depreciation					
At 1 April as previously reported	—	3,247	3,771	17,536	24,554
Impact of IFRS 16 adoption	11,249	—	—	—	11,249
At 1 April 2018 as restated	11,249	3,247	3,771	17,536	35,803
Depreciation charge	6,204	1,506	1,019	1,186	9,915
Adjustment on dilapidations	—	497	—	—	497
Eliminated on disposals	(2,370)	(343)	(722)	(495)	(3,930)
Exchange difference	—	(84)	(47)	(72)	(203)
At 31 March 2019	**15,083**	**4,823**	**4,021**	**18,155**	**42,082**
Depreciation charge	6,189	1,794	947	1,063	9,993
Eliminated on disposals	(2,159)	(455)	(407)	(230)	(3,251)
Exchange difference	—	(99)	(64)	(295)	(458)
At 31 March 2020	**19,113**	**6,063**	**4,497**	**18,693**	**48,366**
Carrying amount					
At 31 March 2020	**33,068**	**9,860**	**2,094**	**1,660**	**46,682**
At 31 March 2019 (restated)	36,269	10,762	2,571	2,036	51,638
At 1 April 2018 (restated)	39,836	10,665	3,251	2,396	56,148

Depreciation £10.0m (2019: £9.9m) is included in both operational and strategic investment expenditure

ACCA leases assets for its operations and these are treated as right-of-use assets. All right-of-use assets relate to property. Included in the net carrying amount of property, plant & equipment are right-of-use assets over the following

	£'000
Property	**33,068**

15 Intangible assets

	Internally generated intangible assets £'000	Third party intangible assets £'000	Total £'000
Cost			
At 31 March 2018	30,951	2,990	33,941
Additions	557	3,050	3,607
At 31 March 2019	31,508	6,040	37,548
Additions	549	5,124	5,673
At 31 March 2020	**32,057**	**11,164**	**43,221**
Accumulated amortisation and impairment			
At 31 March 2018	18,296	29	18,325
Amortisation charge	4,735	793	5,528
At 31 March 2019	23,031	822	23,853
Amortisation charge	4,668	1,264	5,932
At 31 March 2020	**27,699**	**2,086**	**29,785**
Carrying amount			
At 31 March 2020	**4,358**	**9,078**	**13,436**
At 31 March 2019	8,477	5,218	13,695

Intangible assets relate to internally generated development costs and other third party costs of which the vast majority relates to the delivery of the exams qualifications and Digital Transformation. Over the last two years ACCA has been developing a complete Digital Transformation programme and has engaged one of its strategic supplier partners to lead the development of the programme. ACCA now capitalises directly attributable costs from the strategic supplier partner and other suppliers as other intangible assets and the majority of the additions over the last two years relate to other intangible assets and include related costs for the development and implementation of Software as a Service (SAAS) solutions. Following an impairment review in accordance with IAS 36, management decided that no impairment charge (2019: £nil) was required to be accounted for either the internally generated or third party intangible assets. Management considered the impact of Covid-19 and was satisfied that there remained sufficient headroom within the benefits.

16 Financial assets

	31 Mar 2020 £'000	31 Mar 2019 £'000
At valuation		
At 1 April	**114,357**	131,157
Additions	**71,602**	23,462
Disposals	**(70,303)**	(39,186)
Unrealised losses transferred to income	**(4,488)**	(1,076)
At 31 March	**111,168**	114,357
Historical cost of tradable investments	**113,579**	109,126

16 Financial assets (continued)

Financial assets, comprising units in Baillie Gifford's Diversified Growth Fund, Baillie Gifford's Global Stewardship Fund, Adept Investment Management's Absolute Return and Fixed Income Funds, BentallGreenOak's UK Debt II Property Fund and cash funds held by Royal London Asset Management, are fair valued annually at the close of business on the balance sheet date. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's closing single price on a single swinging price basis. Financial assets are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

	31 Mar 2020 £'000	31 Mar 2019 £'000
Concentration of financial assets		
Non-current assets		
UK equities	**2,180**	3,563
Overseas equities	**12,342**	25,990
UK bonds	**291**	588
Overseas bonds	**2,494**	5,924
Absolute return	**24,168**	37,871
Property	**9,851**	7,553
Cash and deposits	**1,155**	3,060
Inflation-linked bonds	**10,174**	13,319
Other	**2,953**	1,459
	65,608	99,327
Current assets		
Cash funds	**45,560**	15,030
	45,560	15,030
	111,168	114,357
Financial assets are denominated in the following currencies		
UK Pound	**105,873**	97,723
US Dollar	**5,745**	14,784
Japanese Yen	**2,902**	3,247
Euro	**604**	1,586
Hong Kong Dollar	**578**	1,112
Norwegian Krone	**392**	610
Other currencies	**1,742**	3,543
Negative positions	**(6,668)**	(8,248)
	111,168	114,357

The negative positions on currencies shown above relate to instances where the Funds have taken a negative position in relation to forward currency contracts and options.

16 Financial assets (continued)

ACCA monitors its exposure by way of regular reports from each of the investment managers, who have discretionary management of the funds they hold within the investment portfolio.

Fair value hierarchy

ACCA classifies financial instruments measured at fair value in financial assets according to the following hierarchy:

Level	**Fair value input description**	**Financial instruments**
Level 1	Quoted prices from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Unquoted equity instruments included in financial assets
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments included in financial assets

ACCA's financial assets are classified by the fair value hierarchy as follows:

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
At 31 March 2019				
Quoted equity	60	—	—	60
Observable inputs	15,030	95,651	—	110,681
Unobservable inputs	—	—	3,616	3,616
Total	15,090	95,651	3,616	114,357
At 31 March 2020				
Quoted equity	**34**	**—**	**—**	**34**
Observable inputs	**45,560**	**60,452**	**—**	**106,012**
Unobservable inputs	**—**	**—**	**5,122**	**5,122**
Total	**45,594**	**60,452**	**5,122**	**111,168**

The investment managers have provided information as to which classifications each of the investment funds fall into. Council has reviewed and assessed those views of the classifications and judged that the disclosures are applicable. Council has relied on the investment managers' expertise as being well-respected investment fund managers to be able to provide that view of the classification of these investments.

Financial assets classified within level 3 have unobservable inputs as they trade infrequently. They relate to investments in a property debt fund managed by BentallGreenOak (formerly GreenOak). A sensitivity analysis for level 3 positions has not been presented as it has been deemed that the impact of reasonable changes in inputs would not be significant.

Commitments

As part of its investment strategy ACCA has invested in a property fund managed by BentallGreenOak. Investments are made on a piecemeal basis and Council has approved investment of up to £10m in property funds directly. At the balance sheet date ACCA had a commitment to invest a further £4.9m in the BentallGreenOak property fund.

		31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
17	**Trade and other receivables**		
	Trade receivables	**23,723**	20,503
	Accrued income	**1,057**	2,078
	Prepayments	**7,643**	6,855
	Taxation recoverable	**—**	446
	Other receivables	**1,149**	1,551
		33,572	31,433

Trade receivables is stated net of an adjustment of £16.5m (2019: £14.3m) to reflect historical experience of customer retention.

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic trends feeding into impairment provision calculations. The majority of trade receivables relates to members and students debt which are individually small in value, so are considered for impairment by category of debt and are not individually impaired. Other trade receivables are reviewed individually for impairment, and judgement made as to any likely impairment based on historic trends and latest communications with specific customers.

ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates and for this year the impact of Covid-19.

As of 31 March 2020, trade receivables of £20.7m (2019: £10.8m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 Mar 2020 £'000	31 Mar 2019 £'000
31-60 days	**2,994**	1,557
61-90 days	**2,991**	1,043
91-120 days	**13,917**	8,186
Over 121 days	**756**	20
	20,658	10,806

The movement on the provision for impairment of trade receivables is as follows:

	31 Mar 2020 £'000	31 Mar 2019 £'000
At 1 April	**470**	876
Provision for receivables impairment	**1,404**	649
Receivables written off during the year as uncollectible	**(394)**	(862)
Amounts recovered/released which were previously provided for	**(262)**	(193)
At 31 March	**1,218**	470

18 Derivative financial instruments

	31 Mar 2020		31 Mar 2019	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Forward foreign exchange contracts	**131**	**(951)**	304	(192)
	131	**(951)**	304	(192)

The contracts entered into by ACCA are principally denominated in the geographic areas in which ACCA operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. These are known as mark-to-market valuations and have been valued by the providers of the contracts.
The valuation methods used are consistent with the principles in IFRS 13: Fair Value Measurement and use significant unobservable inputs, such that the fair value measurement of the contracts, has been classified as Level 3 in the fair value hierarchy. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the statement of comprehensive income.

The amount recognised in the statement of comprehensive income that arises from the forward foreign exchange contracts amounted to a loss of £0.9m (31 March 2019: loss of £0.1m).

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2020 was £41.7m (31 March 2019: £37.5m).

	31 Mar 2020 £'000	31 Mar 2019 £'000
19 Cash and cash equivalents		
Cash at bank and in hand	**27,070**	15,569

ACCA had no short-term bank deposits in place at the balance sheet date. The effective interest rate on short-term bank deposits was nil% (2019: nil%) and these deposits have an average maturity of nil days (2019: nil days).

	31 Mar 2020 £'000	31 Mar 2019 £'000	1 Apr 2018 £'000
20 Leases			
Lease liabilities are presented in the balance sheet as follows:			
Current	**6,600**	6,216	6,220
Non-current	**38,200**	42,144	45,035
	44,800	48,360	51,255

ACCA has leases for all its offices and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. ACCA classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

Each lease generally imposes a restriction that, unless there is a contractual right for ACCA and its subsidiary companies to sublet the asset to another party, the right-of-use asset can only be used by ACCA and its subsidiary companies. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. ACCA and its subsidiary companies is prohibited from selling or pledging the underlying leased assets as security. For all office leases, ACCA and its subsidiary companies must keep those properties in a good state of repair and return the properties to their original conditions at the end of the lease. Further, ACCA must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2020 were as follows:

	Minimum lease payments due						
	Within 1 year £'000	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**After 5 years £'000**	**Total £'000**
31 March 2020							
Lease payments	7,783	6,655	5,652	5,035	4,650	19,961	49,736
Finance charges	(1,183)	(999)	(827)	(693)	(568)	(666)	(4,936)
Net present values	6,600	5,656	4,825	4,342	4,082	19,295	44,800
31 March 2019							
Lease payments	7,516	6,491	5,643	5,232	4,928	24,677	54,487
Finance charges	(1,300)	(1,113)	(966)	(822)	(692)	(1,234)	(6,127)
Net present values	6,216	5,378	4,677	4,410	4,236	23,443	48,360

20 Leases (continued)

The table below describes the nature of ACCA's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right-of-use asset	**Leasehold Improvements**
Number of right-of-use assets leased	52
Range of remaining term	2 months to 10 years 4 months
Average remaining lease	2 years 3 months
Number of leases with extension options	nil
Number of leases with options to purchase	nil
Number of leases with variable payments linked to an index	3
Number of leases with termination options	2

ACCA have lease contracts that include extension and termination options. These options are negotiated by ACCA to provide flexibility in managing the leased asset and align with ACCA's business needs.

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are as follows:

	£'000
Extension options expected not to be exercised	—
Termination options expected to be exercised	10,080

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 Mar 2020 £'000	31 Mar 2019 £'000
Short-term leases	**273**	197
Leases of low value assets	**1**	1
	274	198

At 31 March 2020 ACCA was committed to short-term leases and the total commitment at that date was £27k.

At 31 March 2020 the group had no commitments to leases which had not yet commenced and there were therefore no future cash outflows to disclose for leases that had not yet commenced.

Total cash outflow for leases for the year ended 31 March 2020 was £6.8m (2019: £5.7m).

21 Deferred tax liabilities

Deferred tax liabilities are calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 19% (2019: 19%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of financial assets. ACCA has no deferred tax assets.

Deferred tax liabilities	**31 Mar 2020 £'000**	31 Mar 2019 £'000
At 1 April	**299**	435
Tax charged/(credited) to reserves:		
Current year provision on investments	**—**	56
Release of provision on realised gains	**(299)**	(192)
At 31 March	**—**	299

22 Retirement benefit obligations

(a) *General information*

The financial statements include the financial impact of defined benefit pension schemes operated in the UK and Ireland, and which closed to future accrual on 31 July 2013. Those schemes provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis. ACCA operates defined contribution plans which are currently administered by Aegon in the UK and Aon in Ireland. Contributions are invested with Aegon in the UK and with Irish Life in Ireland.

The closed UK defined benefit Scheme is subject to the Statutory Funding Objective (SFO) under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the SFO is met. As part of the process ACCA must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the SFO. The SFO does not currently impact on the recognition of the Scheme on these accounts.

The most recent triennial valuation of the UK Scheme was at 1 January 2019. This 1 January 2019 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2020. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	past service	2.3% p.a. to retirement, 2.3% p.a.thereafter
	future service	2.3% p.a. to retirement, 2.3% p.a.thereafter
Limited price indexation of pensions in payment		3.2% p.a.
Retail price index		3.4% p.a.
Consumer price index		2.3% p.a.
Rate of salary growth		not applicable as scheme closed to future accrual

The actuarial valuation of the UK Scheme showed that, at 1 January 2019, the market value of Scheme assets was £106.7m and the value of pension benefits earned was £160.1m. The funding level against technical provisions was therefore 67%. As part of the actuarial valuation ACCA and the Trustees agreed to move to a Long-Term Funding basis calculation for the calculations of the Technical Provisions.

An actuarial valuation for the closed Irish scheme is required to be undertaken at least every 3 years in accordance with Section 56 of the Pensions Act 1990 (as amended) and in accordance with the Trust Deed and Rules of the Scheme. Under Clause 6.1 of the Trust Deed for the Scheme, the Employer shall pay to the Trustees the moneys which the Trustees determine, having considered the advice of the Actuary and consulted with ACCA, to be necessary to support and maintain the Scheme in order to provide the benefits under the Scheme. In addition, Section 42 of the Pensions Act 1990 (as amended) requires the Scheme to satisfy the Funding Standard. The Funding Standard defines the minimum assets that each scheme must hold, and sets out the rules that apply if a scheme falls short. The actuarial valuation and the Funding Standard requirements do not impact on the recognition of the Scheme on these accounts.

22 Retirement benefit obligations (continued)

(a) *General information (continued)*

The most recent triennial valuation of the Irish Scheme was at 1 January 2018. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2020. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return	past service	3.75% p.a. to retirement, 2.25% p.a.thereafter
	future service	3.75% p.a. to retirement, 2.25% p.a.thereafter
Inflation		1.75% p.a.
Rate of salary growth		not applicable as scheme closed to future accrual

The actuarial valuation of the Irish Scheme showed that, at 1 January 2018, the market value of the Scheme assets was €4.2m and the value of pension benefits earned was €4.5m. The funding ratio was therefore 93%.

	31 Mar 2020	31 Mar 2019
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate for UK Scheme	**2.40%**	2.50%
Discount rate for Irish Scheme	**2.00%**	1.85%
Future pension increases (UK Scheme) subject to LPI	**2.50%**	3.10%
Future pension increases (Irish Scheme)	**1.10%**	1.50%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S3PXA, using 100% of the base table with mortality improvements in line with the 2019 version of the CMI model, with a long-term rate of improvement of 1.25% per annum. At the previous year-end mortality assumptions followed the table known as S2PA using 90% of the base table based on the 2018 version of the CMI model. For the Irish Scheme the mortality assumptions (post retirement) are based on standard mortality tables allowing for future mortality improvements and are unchanged from previous disclosures. However given the way the tables are compiled to take into account future mortality improvements the actual life expectancy for members of the Irish Scheme at each age will have increased from last year.

Assuming retirement at 65, the life expectancies in years are as follows:

	Irish Scheme		UK Scheme	
	31 Mar 2020	31 Mar 2019	**31 Mar 2020**	31 Mar 2019
For a male aged 65 now	**21.7**	21.5	**21.9**	22.3
At 65 for a male aged 45 now	**24.0**	23.9	**23.2**	23.6
For a female aged 65 now	**24.1**	24.0	**24.2**	24.2
At 65 for a female aged 45 now	**26.1**	26.0	**25.6**	25.7

22 Retirement benefit obligations (continued)

(b) *Pension costs*

	31 Mar 2020 £'000	31 Mar 2019 £'000
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes	**740**	13,014
Payments to defined contribution schemes for certain employees outside the UK and Ireland	**533**	552
Payments to defined contribution schemes for certain employees in the UK and Ireland	**5,263**	5,273
Payments for the Pensions Protection Fund levies	**115**	102
Pension costs	**6,651**	18,941

Actuarial (gains)/losses recognised in the statement of other comprehensive income for the period	**(10,285)**	1,027

In addition to the defined contribution schemes operated for UK and Ireland qualifying employees, schemes also operate for certain employees outside the UK and Ireland. The nature of such schemes varies according to legal regulations, fiscal requirements and economic conditions of the countries in which employees are based. Plans are funded by payments from the group and by employees and are held separately and independently of the group's finances.

The amounts recognised in total comprehensive income for the schemes are as follows:		
Past service costs in relation to amending benefits relating to rules	**—**	12,300
Past service costs in respect of GMP equalisation	**—**	200
Net interest	**740**	514
Pension costs under the Schemes	**740**	13,014

Past service costs – amending benefits relating to the rules
Following a review of the rules of the ACCA Staff Pension Scheme, the Trustees of the Scheme identified some issues which related to the legality of the passing of resolutions to make changes to the Pension Scheme Trust Deed. Both ACCA and the Trustees sought legal advice and worked together to resolve the situation. This matter is now close to conclusion and during the previous year ACCA and the Trustees completed the negotiation of the agreement on how the Scheme will be administered in respect of the invalid changes. The costs of making good those invalid changes was calculated by the Scheme Actuary to be in the region of £12.3m and this was accounted for as a past service cost in the accounts for the year ended 31 March 2019.

Past service costs - GMP Equalisation
Guaranteed Minimum Pension ("GMP") is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically there was an inequality of benefits between male and female members who have GMP.

A High Court case concluded on 26 October 2018 which determined that GMPs should be equalised, with several methods being possible and the employer can require the minimum cost option to be adopted. The Scheme Actuary estimated the financial impact of equalising GMPs for members for the ACCA Staff Pension Scheme at £0.2m and this was accounted for as a past service cost in the accounts for the year ended 31 March 2019.

22 Retirement benefit obligations (continued)

(c) *Contributions and the effect of the Schemes on the future cashflows*

ACCA is required to agree a schedule of contributions with the Trustees of the Schemes following actuarial valuations which take place every three years. In accordance with actuarial advice and with the agreement of ACCA and the UK Scheme's Trustees, a recovery plan was put in place with effect from January 2020 to which ACCA will contribute annual deficit recovery contributions of £2,650,000 in respect of the UK scheme increasing by 3% p.a. for a period of 13 years, subject to review at future actuarial valuations. The triennial valuation as at 1 January 2018 for the Irish scheme revealed that the funding position had improved. Nevertheless, ACCA has agreed to maintain annual contributions for the year ended 31 March 2021 at about £96,000. In respect of other overseas schemes, it is expected that ACCA will contribute on average 9% of pensionable salary in the coming year.

		31 Mar 2020 £'000	31 Mar 2019 £'000
(d)	*Movement in the net liability recognised in the balance sheet*		
	At 1 April	**31,889**	20,741
	Pension costs	**740**	13,014
	Contributions paid	**(4,471)**	(2,872)
	Recognition of actuarial (gains)/losses	**(10,285)**	1,027
	Exchange difference	**11**	(21)
	At 31 March	**17,884**	31,889
(e)	*Pension benefits*		
	Amounts recognised in the balance sheet to reflect funded status		
	Present value of funded obligations	**142,263**	151,302
	Fair value of plan assets	**(124,379)**	(119,413)
	Net liability in the balance sheet at 31 March	**17,884**	31,889
(f)	*Change in benefit obligation*		
	Present value of benefit obligation at 1 April	**151,302**	135,191
	Interest on obligation	**3,729**	3,554
	Benefits paid	**(2,398)**	(3,998)
	Past service costs	**—**	12,500
	Gain from change in demographic assumptions	**(2,526)**	(2,657)
	(Gain)/loss from change in financial assumptions	**(7,603)**	10,079
	Gain from experience	**(359)**	(3,267)
	Exchange difference	**118**	(100)
	Present value of benefit obligation at 31 March	**142,263**	151,302
	The defined benefit obligation is split as follows		
	Deferred pensioners	**107,818**	115,644
	Pensioners	**34,445**	35,658
	Present value of benefit obligation at 31 March	**142,263**	151,302

Amounts recognised in the balance sheet for pensions are predominantly non-current and are reported as non-current liabilities

22 Retirement benefit obligations (continued)

	31 Mar 2020 £'000	31 Mar 2019 £'000
(g) *Change in plan assets*		
Fair value of plan assets at 1 April	**119,413**	114,450
Interest income	**2,989**	3,040
Actual return on assets less interest	**(203)**	3,128
Actual return on plan assets	**2,786**	6,168
Contributions - employer	**4,472**	2,872
Benefits paid	**(2,398)**	(3,998)
Exchange difference	**106**	(79)
Fair value of plan assets at 31 March	**124,379**	119,413

(h) *Plan assets*
Plan assets are comprised as follows:

	31 Mar 2020 £'000	%	31 Mar 2019 £'000	%
UK equities	**1,807**	**1.5**	1,977	1.7
North American equities	**18,676**	**15.0**	20,464	17.1
European equities	**4,732**	**3.8**	5,175	4.3
Japanese equities	**2,594**	**2.1**	2,846	2.4
Asia Pacific equities	**1,830**	**1.5**	2,006	1.7
Emerging markets equities	**3,290**	**2.6**	3,610	3.0
Equities	**32,929**	**26.5**	36,078	30.2
LDIs	**31,818**	**25.6**	19,765	16.6
Diversified Growth Funds	**18,460**	**14.9**	20,992	17.6
Bonds	**9,253**	**7.4**	20,777	17.4
Multi Asset Credit Funds	**15,555**	**12.5**	8,633	7.2
Property	**292**	**0.2**	12,889	10.8
Cash	**16,072**	**12.9**	279	0.2
	124,379	**100.0**	119,413	100.0

Assets are invested in a range of funds operated by Legal & General, Investec, Barings and Royal London Asset Management for the UK Scheme and Irish Life for the Irish Scheme. The Trustees believe that investing in a range of funds and investment managers offers the best combination of growth opportunity and risk management. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

During the previous year the Trustees implemented a new investment strategy to further diversify and de-risk the scheme. This included investing in LDIs (Liability Driven Investments) which is a strategy based on the cash flows to fund future liabilities and Multi Asset Credit Funds which can enable trustees to take advantage of credit market opportunities when they arise using a complete array of credit types in a low governance and cost effective manner.

22 Retirement benefit obligations (continued)

(i) *Sensitivity of overall pension liabilities*

	31 Mar 2020 £'000	31 Mar 2019 £'000
Increase in liability through 0.25% reduction in discount rate	**7,113**	7,565
Increase in liability through 0.25% increase in inflation assumption	**4,268**	4,539
Increase in liability through increase in rate of mortality by 1 year	**4,268**	4,539

The sensitivities are based on the present value of funded obligations.

(j) *Detailed benefit obligation trends*

	31 Mar 2020 £'000	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2016 £'000
Scheme assets	**124,379**	119,413	114,450	111,633	97,701
Scheme liabilities	**(142,263)**	(151,302)	(135,191)	(138,031)	(109,904)
Scheme deficit	**(17,884)**	(31,889)	(20,741)	(26,398)	(12,203)

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
23 Trade and other payables		
Trade and other creditors	**13,135**	8,832
Social security and other taxes	**5,261**	5,129
Accrued expenses	**21,472**	23,701
	39,868	37,662
24 Deferred income		
Deferred income	**89,805**	79,983

Deferred income comprises fees and subscriptions from members and students accounted for in advance, exam fees paid in advance by students and monitoring contract income paid in advance.

25 Provisions

	Restated 31 Mar 2019 £'000	Utilised in year £'000	Released in year £'000	Provided in year £'000	**31 Mar 2020 £'000**
Legal costs and claims	3,764	(550)	(1,025)	688	**2,877**
End of service	896	(201)	(27)	222	**890**
Tax	762	—	—	—	**762**
Commercial frameworks	266	(71)	(195)	—	**—**
Restructuring	623	(468)	(155)	100	**100**
Total	**6,311**	**(1,290)**	**(1,402)**	**1,010**	**4,629**

The legal costs and claims provision represents management's best estimate of ACCA's liability relating to the costs associated with ongoing Financial Reporting Council (FRC) investigations and to provisions relating to members and employees. It also includes an estimate for a number of legal claims which are commercially sensitive at this time as well as costs which ACCA may be liable for when undertaking investigations into any ACCA members' conduct relating to the collapse of Anglo Irish Bank.

The end of service provision represents management's best estimate of the potential pay-outs required if and when employees leave the ACCA UAE and Oman offices.

The tax provision relates to potential liabilities for transfer pricing, GST and VAT in various jurisdictions throughout the world. As more and more jurisdictions review their tax laws, ACCA continues to manage the settlement of any liabilities with assistance from in-country third party tax advisors.

The commercial frameworks provision represents management's best estimate of the costs to pay approved learning partners in respect of them meeting specific 2019-20 performance targets to register students likely to progress to the ACCA qualification.

The restructuring provision represented management's best estimate of ACCA's liability relating to the costs associated with the roles which had been made redundant in the previous year. During the year £468,000 was utilised and £155,000 was released.

In the previous year's accounts a dilapidations provision of £3.0m was disclosed, representing management's best estimate of the costs to restore the leased buildings in London, Glasgow, Dublin and various other offices to their previously unfurnished states. Following the implementation of IFRS 16 the dilapidations provision has been transferred to the lease liability and restated accordingly.

26 Other reserves

	Currency translation £'000	Available-for-sale investments £'000	Total £'000
Balance at 1 April 2018 as previously reported	(1,156)	5,872	4,716
IFRS 9 reclassification to income statement	—	(5,872)	(5,872)
Adjusted balance at 1 April 2018	(1,156)	—	(1,156)
Currency translation differences	653	—	653
Balance at 31 March 2019	(503)	—	(503)
Currency translation differences	99	—	99
Balance at 31 March 2020	**(404)**	**—**	**(404)**

The available-for-sale investments fair value reserve represented the excess of unrealised gains and losses on financial assets over their historic costs, net of deferred taxation. Following the adoption of IFRS 9 in 2019, financial assets are now classified and measured at fair value with changes in fair value recognised in profit or loss (FVPL), therefore a fair value reserve is no longer required. The currency translation reserve represents the exchange differences arising on the translation of the assets and liabilities of the non-UK subsidiary undertakings.

27 Related party transactions

Balances between ACCA and its subsidiaries have been eliminated on consolidation and are not included in this note. Transactions between ACCA and other related parties are disclosed below.

Relationships

Council members as office holders	Jenny Gu (President) Mark Millar (Deputy President) Orla Collins (Vice President)

The office holders receive a small honorarium for each year they serve as an officer. In the previous year the office holders waived their right to that entitlement. In accordance with the Council Travel and Expenses policy, Council members are reimbursed for any expenses which they directly incur on behalf of ACCA as part of their role as a Council member.

Other council members (in post during the year ended 31 March 2020)	Susan Allan, Liz Blackburn, Carol-Anne Boothe, Ben Catlin, Hidy Chan, Natalie Chan, Rosanna Choi, Sharon Critchlow, John Cullen, Matt Dolphin, Joyce Evans, Cristina Gutu, Datuk Zaiton Mohd Hassan, Kenneth Henry, Lorraine Holleway, Michelle Hourican, Paula Kensington, Lock Peng Kuan, Arthur Lee, Dean Lee, Ayla Majid, Gillian McCreadie, Brigitte Nangoyi Muyenga, Mohd Nasir Ahmad, Amos Ng, Joseph Owolabi, Taiwo Oyedele, Siobhan Pandya, Ronnie Patton, Melanie Proffitt, Marta Rejman, Brendan Sheehan, Robert Stenhouse, Dinush Weerawardane, Fergus Wong, Matthew Wong, Alice Yip and Phoebe Hao Yu
Key management personnel (in post during the year ended 31 March 2020)	Helen Brand (Chief Executive), Alan Hatfield, Stephen Heathcote, Julie Hotchkiss, Raymond Jack, Maggie McGhee, Lucia Real-Martin and Soo Yee Leong

27 Related party transactions (continuted)

Defined benefit schemes

The UK and Ireland defined benefit schemes are related parties. ACCA's transactions with the defined benefit schemes relate to contributions paid to the Schemes (see note 22).

	31 Mar 2020 £'000	31 Mar 2019 £'000
Related party transactions		
Honorarium to the office holders	**10**	—

The President donated her honorarium for the current year to the Chartered Certified Accountants' Benevolent Fund and the officers waived their rights to the honorarium in the previous year.

Reimbursement of expenses directly incurred by Council members	**477**	550
Purchase of goods and services	**—**	5

Key management personnel are remunerated as shown below.

Salaries and other short-term employee benefits	**1,726**	1,501
Post-employment benefits	**87**	66
	1,813	1,567

In view of the global impact of Covid-19 on employees, members, students, stakeholders and all their families, the Executive Team recommended to Remuneration Committee that no performance bonus should be awarded for the year ended 31 March 2020. The Committee approved these proposals.

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the defined contribution pension scheme. Two (2019: two) members of the Executive Team receive an allowance in lieu of pension contributions. The value of those allowances is included in 'Salaries and other short-term employee benefits'.

	Owed	Owed
Related party balances		
Reimbursement of expenses directly incurred by Council members	**15**	44
Bonuses payable to key management personnel	**—**	173

28 Principal undertakings

Subsidiary undertakings

The principal subsidiary undertakings, all 100% owned, which are included in the consolidated financial statements, are as follows:

	Country of registration	**Beneficial holding**	**Nature of business**
Certified Accountants Investment Company Limited	England & Wales	Ordinary shares	Investment company
The Certified Accountants Educational Trust	England & Wales	Charitable trust	Educational charity
Certified Accountants Educational Projects Limited	England & Wales	Ordinary shares	Provider of educational supplies and services
Association of Authorised Public Accountants	England & Wales	Limited by guarantee	Professional accounting and supervisory body
Certified Accountant (Publications) Limited	England & Wales	Ordinary shares	Publisher of *Accounting & Business*
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Limited by guarantee	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa
Seacron Educational Nigeria Ltd	Nigeria	Ordinary shares	Vehicle for ACCA's operations in Nigeria
ACCA (Shanghai) Consulting Co. Ltd	China	Paid-in capital	Vehicle for ACCA's operations in China
ACCA Canada	Canada	Limited by guarantee	Vehicle for ACCA's operations in Canada
ACCA Romania	Romania	Limited by guarantee	Vehicle for ACCA's operations in Romania
ACCA Malawi Ltd	Malawi	Limited by guarantee	Vehicle for ACCA's operations in Malawi
ACCA Australia and New Zealand Ltd	Australia	Limited by guarantee	Vehicle for ACCA's operations in Australia

28 Principal undertakings (continued)
Subsidiary undertakings (continued)

	Country of registration	Beneficial holding	Nature of business
ACCA Russia Ltd	England & Wales	Ordinary shares	Vehicle for ACCA's operations in Russia
ACCA Ventures Ltd	England & Wales	Ordinary shares	Vehicle for providing online courses
ACCA Tanzania	Tanzania	Limited by guarantee	Vehicle for ACCA's operations in Tanzania
ACCA Turkey	Turkey	Ordinary shares	Vehicle for ACCA's operations in Turkey
ACCA Botswana	Botswana	Limited by guarantee	Vehicle for ACCA's operations in Botswana
ACCA Kenya	Kenya	Limited by guarantee	Vehicle for ACCA's operations in Kenya
ACCA Global Ltd	England & Wales	Ordinary shares	Vehicle for ACCA's operations in Nepal
Certified Accountants Educational Trustees Ltd	England & Wales	Ordinary shares	Corporate trustee for CAET
Certified Nominees Ltd	England & Wales	Ordinary shares	Corporate director for ACCA companies

Other undertakings

ACCA holds a 20.2% holding in The Consultative Committee of Accountancy Bodies Limited (a company registered in England & Wales) at a cost of £202, held in furtherance of its professional objectives.

29 Contingent liabilities

ACCA is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of Council, the amount of any ultimate liability in respect of these actions will not materially affect the financial position of the organisation.

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
30 Cash flow statement		
(a) *Cash generated from operations*		
Surplus/(deficit) before tax	**2,347**	(35,764)
Adjustments for:		
Depreciation on property, plant and equipment	**9,993**	10,412
Amortisation of intangible assets	**5,932**	5,528
Loss on disposal of property, plant and equipment	**102**	238
Realised gain on sale of investments	**(758)**	(2,567)
Unrealised losses on investments	**4,488**	1,076
Interest received	**(75)**	(148)
Dividends received	**(982)**	(951)
Pension costs – net interest payable	**740**	514
Past service costs	**—**	12,500
Interest paid	**128**	295
Interest expense for leasing arrangements	**1,257**	1,348
Pension contributions paid	**(4,471)**	(2,872)
Changes in working capital (excluding the effects of exchange differences)		
Derivative financial instruments	**932**	(112)
Trade and other receivables	**(2,585)**	(4,834)
Trade and other payables	**2,206**	3,486
Deferred income	**9,822**	7,268
Provisions	**(1,682)**	382
Cash generated from/(absorbed by) operations	**27,394**	(4,201)

(b) *Disposal of property, plant and equipment*

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	31 Mar 2020 £'000	Restated 31 Mar 2019 £'000
Net book amount	**201**	318
Loss on disposal of property, plant and equipment	**(102)**	(238)
Proceeds from disposal of property, plant and equipment	**99**	80

Corporate governance statement

For the year ended 31 March 2020

The *UK Corporate Governance Code*

Council is committed to the highest standards of corporate governance. It supports the framework for corporate governance in the UK set out in the *UK Corporate Governance Code* as revised and re-issued by the UK Financial Reporting Council (FRC) in 2018. Council's Nominating and Governance Committee is charged with ensuring that ACCA follows best global practice. Council confirms that, although the *UK Corporate Governance Code* relates to UK listed companies and ACCA is not obliged to comply, and does not comply, with it, ACCA nevertheless follows its guidance as far as this is, in Council's opinion, relevant to ACCA.

Principles of good governance

Council and the Chief Executive

Council is the governing body of ACCA and therefore has a key role in ACCA affairs. Its fundamental purpose is to ensure that ACCA delivers the objectives stated in the Royal Charter. Council's terms of reference highlight its responsibility for determining ACCA's strategic policy objectives and for monitoring the organisation's performance in relation to its strategic plan and annual budget. It delegates certain aspects of this function to committees and task forces which operate under its overall guidance and report to it. The Chief Executive manages ACCA's activities and services in accordance with the framework set by Council and reports progress and performance against clear and agreed financial and non-financial measures. Detailed written terms of reference for Council, Council Board and Committees are published and regularly updated.

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. At 31 March 2020 Council had 38 volunteer members, 36 of whom are elected by the membership as a whole and two of whom were co-opted prior to the year-end. They are all subject to re-election every three years, for a maximum of three terms. They have a wide-ranging remit geared to providing strategic direction for ACCA. Council members examine issues of broad and long-term importance to ACCA and establish ACCA's position on global industry developments as they arise. Following the 2019 AGM, Council now has members from 18 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on request from ACCA.

Following the changes made at the 2017 AGM, ACCA is now in the process of implementing changes to Council's composition, increasing the number of seats to 45 and introducing a series of measures to support Council in being reflective of ACCA's global membership.

The office holders (Officers) of ACCA are the President (Jenny Gu), the Deputy President (Mark Millar) and the Vice President (Orla Collins). The incoming Vice President is elected by Council from among its members by ballot each year. Council then formally elects each of the Officers at its first meeting following the AGM, which this year will be held in November. In the normal course of events, in the two succeeding years Council elects the Vice President to serve as Deputy President and then President of ACCA.

Diversity

ACCA supports greater diversity in the composition of company boards not only in terms of gender, but also in background and experience.

Council, Board and Committee induction

All newly-elected Council members attend an initial induction session, usually arranged around the AGM. The induction session gives new Council members the chance to find out more about the structure of ACCA, the development of its strategy, and any key issues which are currently before Council. The session is chaired by the President, and new Council members have the opportunity to ask questions of the Officers, the Chief Executive and senior staff.

Principles of good governance (continued)

Mentoring
Every newly-elected Council member is assigned a 'mentor' for their first year on Council. The mentor, an existing member of Council, is responsible for providing guidance to the new Council member, is available to advise on Council's processes and procedures, and can provide background to the issues debated by Council. The guidelines for the mentoring process are available on request from ACCA.

Performance appraisal
Council members are subject to an annual performance appraisal process. They complete self-assessment questionnaires, in which they are asked to consider their performance in relation to the skills sets required of Council members. All questionnaires are reviewed by the President and Chief Executive who decide whether further counselling is needed. A review of the overall process, and in particular of any common themes which may have been identified, is provided at a Council meeting.

Importantly, the self-assessment process invites Council members to identify any areas in which they feel they need further training. Responses form the basis of a training plan (to be developed on an individual or group basis) which will address the identified needs. In addition, training on areas such as presentation skills, media awareness and committee chairmanship is on offer to all Council members.

Council members' interests
The Officers receive a small honorarium for each year they serve as an officer. During the year the President donated her honorarium to the Chartered Certified Accountants' Benevolent Fund. No other member of Council has received any payment in respect of services to Council, other than by way of reimbursement or payment of expenses incurred in providing such services. Council members' expenses are routinely subject to a review exercise led by Internal Audit, to verify that they are in accordance with the Council Members' expenses policy. A copy of the expenses policy is available to members on request from ACCA. Details of material transactions between ACCA and its subsidiaries, and related parties (including members of Council) are provided in the notes to the accounts.

Council maintains a Register of Members' Interests which contains details, for each Council member, of any personal or business interests which might give rise to a potential conflict of interest or duty or which might influence the way in which he or she might vote on Council's affairs. The Register is reviewed annually in April when Council members are asked to review and update their entries. New Council members are asked to complete a declaration for the Register as part of their induction to Council and a declaration is also made at every meeting.

Council meetings
During the year there were three meetings of Council.

Statement of Council's responsibilities
Although not required to do so, either by the Royal Charter or by UK statute, Council has elected to prepare financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs of ACCA and its subsidiaries at the end of each accounting period and of the results for the period.

In preparing these financial statements, Council ensures that:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent judgements and fair accounting estimates are made;
- IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are correctly prepared on the going concern basis.

Council considers that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess ACCA's performance, business model and strategy.

Corporate governance statement

For the year ended 31 March 2020

Statement of Council's responsibilities (continued)

Council has delegated to the Chief Executive and the senior staff its responsibility to keep proper accounting records, that are sufficient to show and explain ACCA's transactions and which disclose with reasonable accuracy at any time the financial position of ACCA, to safeguard its assets and to take reasonable steps for the prevention and detection of fraud and other irregularities.

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2019-20, ACCA established strategic targets and measures against the Strategy to 2025 which formed the basis for developing five-year financial projections and was used to develop the 2020-21 budget. Council approved the 2020-21 budget in March 2020, which contained the detailed financial assumptions, allocations and targets to deliver the 2020-21 Strategic Delivery Plan. However due to the Covid-19 situation globally, revised forecasts have been prepared for various scenarios and these have been reviewed and signed off since the year-end. Despite the global uncertainty Council remains satisfied that ACCA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be adopted in preparing the financial statements.

Internal control

Council is responsible for ensuring that a system of internal control is maintained; no system can, however, provide absolute assurance against material misstatement or loss. ACCA's strategy is determined by Council in the 2025 Strategic Framework. Actual financial and non-financial performance is reviewed regularly against target. Regular internal audit reviews of key processes in ACCA's offices are carried out by a combination of internal staff and external consultants.

Relations with members

The AGM, held annually in November or at such other time as Council determines (subject to there being not more than 15 months between AGMs), is the formal platform for communications with members. Member networks provide the opportunity for communications between ACCA and its members at a local level, throughout the world. Members are encouraged to take part in a wide range of business and social events. Council also distributes to all members an annual review of activities together with a summary of financial and other information. As in recent years the annual review will take the form of an Integrated Report.

Council is responsible for the oversight and integrity of the corporate and financial information included on ACCA's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Governance structure

The current structure has evolved over the years. Council continues to review regularly the roles, responsibilities and effectiveness of Council, Regulatory Board and Committees to ensure that they remain fit for purpose. Council has established a number of committees to support it in delivery of its responsibilities to maintain the highest standards of corporate governance.

At the AGM in November 2017, Council proposed a series of bye-law changes to enable future governance reforms, all of which were overwhelmingly backed by members. The first phase of these reforms was implemented in November 2019 with the creation of the Nominating and Governance Committee and a Council Board.

Corporate governance statement

For the year ended 31 March 2020

Council Board

The Council Board was established during the year and met for the first time on 16 December 2019. It will meet six times a year and has responsibility for the holistic oversight of the implementation of ACCA's strategy and to support agile decision making. Council meetings have now been moved from four meetings to three meetings per annum.

The members of the Council Board during the year and their attendance at meetings were:

Chair:	Meetings attended
Jenny Gu, FCCA CA (CAANZ) CICPA (from 16/12/19)	2/2

Other members:	
Mohd Nasir Ahmad, FCCA CA(M) MBA (from 16/12/19)	2/2
Helen Brand, BA OBE (from 16/12/19)	2/2
Orla Collins, FCCA MSc LCOI QFA LIB (from 16/12/19)	2/2
Lorraine Holleway, FCCA MBA (from 16/12/19)	2/2
Ayla Majid, FCCA (from 16/12/19)	2/2
Mark Millar, FCCA CA (CAANZ) FHFMA (from 16/12/19)	2/2

The Council Board also includes the following high-profile non-Council members who were appointed following a global search and who will bring diverse insights from their extensive global careers.

Anand Aithal	2/2
Daryl Fielding	1/2

Details of the terms of reference for the Council Board are available on request from ACCA.

Nominating and Governance Committee

Under the new governance structures the Nominating Committee and Governance Design Committee have been discontinued and a new Nominating and Governance Committee has been introduced. The changes took place with effect from 21 November 2019.

Nominating and Governance Committee is responsible for making recommendations to Council for appointments to Council, standing committees and task forces, Council representation to International Assembly, Regulatory Board, and trustees of the pension scheme, including independent members. Nominating and Governance Committee also identifies and endorses ACCA's member nominations to external organisations. Nominating and Governance Committee also has direct responsibility to develop and keep under review succession planning arrangements for ACCA's Officers and committee chairs and to play a proactive role in the identification of potential Council members. Appointments to committees are made annually by Council. Nominating and Governance Committee will pursue continual improvement in governance design in ACCA in order to reflect best global practice. It gives ACCA a standing mechanism for reviewing governance design and planning in the short, medium and long term. This provides clear lines of sight between the development and implementation of ACCA's strategy and how ACCA's governance structures might need to evolve to support the delivery of strategy in the future.

The members of Nominating and Governance Committee during the year and their attendance at meetings were:

Chair:	Meetings attended
Jenny Gu, FCCA CA (CAANZ) CICPA (from 21/11/19)	1/1

Other members:	
Orla Collins, FCCA MSc LCOI QFA LIB (from 21/11/19)	1/1
John Cullen, FCCA FABRP MIPA (from 21/11/19)	1/1
Arthur Lee, FCCA HKICPA ACMA CPA (from 21/11/19)	1/1
Mark Millar, FCCA CA (CAANZ) FHFMA (from 21/11/19)	1/1
Brendan Sheehan, FCCA (from 21/11/19)	1/1
Robert Stenhouse, FCCA FCA CTA (from 21/11/19)	1/1

There is a position for a non-Council appointee for the Committee and a recruitment process is currently being undertaken. Details of the terms of reference for Nominating and Governance Committee are available on request from ACCA.

Nominating and Governance Committee
The members of Nominating Committee during the year and their attendance at meetings were:

Chair:	Meetings attended
Robert Stenhouse, FCCA FCA CTA (to 21/11/19)	3/3

Other members:	
Jenny Gu, FCCA CA (CAANZ) CICPA (to 21/11/19)	3/3
Arthur Lee, FCCA HKICPA ACMA CPA (to 21/11/19)	3/3
Leo Lee, FCCA FCPA LLB MBA (to 21/11/19)	3/3
Mark Millar, FCCA CA (CAANZ) FHFMA (to 21/11/19)	3/3
Ronnie Patton, FCCA MBA ADE FHEA (to 21/11/19)	3/3
Brendan Sheehan, FCCA (to 21/11/19)	3/3

Governance Design Committee
Until the date of the new governance structure being implemented, ACCA's Governance Design Committee pursued continual improvement in governance design in ACCA in order to reflect best global practice. The Governance Design Committee gave ACCA a standing mechanism for reviewing governance design and planning in the short, medium and long term and provided clear lines of sight between the development and implementation of ACCA's strategy and how ACCA's governance structures might need to evolve to support the delivery of strategy in the future.

The terms of reference for the Governance Design Committee included responsibility for reviewing and reporting to Council on matters concerning ACCA's corporate governance design, including elections and appointments to Council and committees, proceedings of Council meetings, the terms of reference and effectiveness of committees of Council, and for the continual improvement in governance design in ACCA in order to reflect best global practice. The Governance Design Committee was also responsible for reviewing, and making recommendations to Council thereon, Council's standing orders including the Code of Practice for Council members.

The role of the Governance Design Committee is now undertaken by the new Nominating and Governance Committee (see above).

The members of Governance Design Committee during the year and their attendance at meetings were:

Chair:	Meetings attended
Kenneth Henry, FCCA PhD CISA CPA CGFM (to 21/11/19)	3/3

Other members:	
Sharon Critchlow FCCA APFS Chartered MCSI FRSA (to 21/11/19)	3/3
John Cullen, FCCA FABRP MIPA (to 21/11/19)	3/3
Joyce Evans, FCCA FCPA FCGA C.Dir MPA (to 21/11/19)	2/3
Jenny Gu, FCCA CA (CAANZ) CICPA (to 21/11/19)	3/3
Dean Lee, FCCA CICPA MPh MBA (to 21/11/19)	3/3
Marta Rejman, FCCA MEcon MBA (to 21/11/19)	3/3

Audit Committee
A separate Report from the Audit Committee has been presented at pages 56 to 60. This is in accordance with the revised ISA (UK) 700 Audit Report which was issued in 2016.

Remuneration Committee
ACCA's Remuneration Committee is responsible for determining and agreeing a policy framework for the remuneration of the Chief Executive and senior staff that is clearly aligned to the delivery of ACCA's strategic objectives. This is achieved by rewarding senior staff for high standards of performance and their contribution to the success of ACCA whilst ensuring that the framework adheres to the principles of good corporate governance. The Committee currently consists of six members of Council and an external adviser.

The Committee's work plan during 2019-20 included: a review of succession planning arrangements for the senior management team; a benchmark review of remuneration within the scope of the Committee; a review of the components and objectives of the senior management reward scheme; and consideration of ACCA's people strategy as a whole.

The Committee has also taken external independent advice from reward consultants Aon. This advice related to external benchmarking data, market practice and corporate governance updates.

The Committee will be required to use their discretion and report on whether the remuneration policy operated as intended and what (if any) changes were required.

The Chief Executive, the Secretary (in his role as Secretary to the Committee) and other members of staff may attend meetings at the invitation of the Committee Chair. No Executive is present when their own remuneration is discussed.

The members of Remuneration Committee during the year and their attendance at meetings were:

Chairs:	**Meetings attended**
Melanie Proffitt, FCCA MBA (from 21/11/19)	0/0
Mohd Nasir Ahmad, FCCA CA(M) MBA (to 21/11/19)	2/2

Other members:	
Liz Blackburn, FCCA Chartered MCSI (from 21/11/19)	0/0
Orla Collins, FCCA MSc LCOI QFA LIB (to 21/11/19)	2/2
Joyce Evans, FCCA FCPA FCGA C.Dir MPA (from 21/11/19)	0/0
Ayla Majid, FCCA (to 21/11/19)	2/2
Mark Millar, FCCA CA (CAANZ) FHFMA	2/2
Amos Ng, FCCA ISCA (from 21/11/19)	0/0
Taiwo Oyedele, FCCA ICAN CITN (from 21/11/19)	0/0
Melanie Proffitt, FCCA MBA (to 21/11/19)	2/2
Marta Rejman, FCCA MEcon MBA	2/2
Matthew Wong, FCCA CICPA HKICPA (from 21/11/19)	0/0

External advisers:	
Jackie Waller (from 28/11/19)	0/0
Judith Levy (to 28/11/19)	2/2

Details of the terms of reference for Remuneration Committee are available on request from ACCA.

Regulatory Board
ACCA's Regulatory Board brings together all of ACCA's public interest oversight functions into a single entity. The Board's public interest role sits at the heart of ACCA's oversight structure and it provides oversight over all of ACCA's public interest oversight functions – complaints and discipline, education and learning, examinations, licensing monitoring and professional and ethical standards.

The Regulatory Board has been supported in its work by three sub-boards; the Appointments, Qualifications and Standards Boards. Each is constituted as a self-standing board, with each having - with the exception of the chair who is appointed by the Regulatory Board and drawn from its membership - separate personnel to the Regulatory Board to enable the Regulatory Board to take a more detached view of the work of the sub-boards.

Regulatory Board (continued)

The remit of the Regulatory Board is to provide independent oversight of ACCA's regulatory arrangements for complaints and discipline, education and learning, examinations, licensing and practice monitoring, and to report to ACCA's Council on the fairness and impartiality of these activities. Placing oversight of ACCA's regulatory arrangements at 'arm's length' from the governance of its other activities helps to reassure stakeholders that ACCA's arrangements are operated impartially, with integrity and in the public interest. The Regulatory Board comprises two members of ACCA's Council and six independent 'lay' appointees - non-accountants - one of whom is Lay Chair.

The Regulatory Board is supported in its oversight activities by its three sub-boards:

- Appointments Board is responsible for the appointment, assessment and removal of panel members (including chairs), disciplinary assessors, regulatory assessors and legal advisers that are required for a robust disciplinary and regulatory process. The Board has four members, including a Regulatory Board-appointed lay chair, and is entirely composed of lay members to ensure that the appointment of disciplinary and regulatory chairs, committee members, assessors and legal advisers remains at furthest possible arm's length from Council.

- Qualifications Board is responsible for general oversight of ACCA's education and learning framework and examination arrangements. This includes ratification of the examination results and other matters relating to the integrity of the qualifications process. The Board has six members and comprises a Regulatory Board-appointed chair, three lay members and two Council members.

- Standards Board is responsible for ensuring ACCA's *Rulebook* is compliant with ACCA's statutory obligations, Privy Council requirements and rule change decisions by Council, by providing the detailed scrutiny and due diligence to the proposed changes to ACCA's rules, regulations and the code of ethics and conduct. The Board has four members and comprises a Regulatory Board-appointed chair, two lay members and a Council member.

The members of the Regulatory Board during the year and their attendance at Board meetings were:

Chairs:	Meetings attended
Antony Townsend, BA (to 30/11/19)	3/3
Lucy Winskell, OBE DL (from 30/11/19)	1/1
Lay members:	
Richard Cooper, IEE/IET (from 30/11/19)	1/1
William Matthews, C.Eng, MIET, MCIM (from 30/11/19)	1/1
Nora Nanayakkara, BA MBA	4/4
Geoffrey Podger	4/4
David Thomas, LLB (to 30/11/19)	2/3
Suzy Walton, BSc PhD	3/4
Lucy Winskell, OBE DL (to 30/11/19)	3/3
Members from Council:	
Sharon Critchlow, FCCA APFS Chartered MCSI FRSA (from 30/11/19)	1/1
John Cullen, FCCA FABRP MIPA (to 30/11/19)	2/3
Ronnie Patton, FCCA MBA ADE FHEA	4/4

Profiles of the Board members can be found on ACCA's website (www.accaglobal.com). The Regulatory Board's Terms of Reference are available on request from ACCA.

Lay members receive a small retainer and an attendance fee per meeting.

The Regulatory Board and its sub-boards are supported internally by the Governance Executive Directorate.

International Assembly
ACCA's International Assembly is a diverse representative group of ACCA members whose role is to provide input into strategy and development through its advisory role to Council. The International Assembly was formed in recognition of ACCA's growth with an increasingly diverse and mobile membership. There are 54 representatives on the International Assembly, representing all regions where there are ACCA members. The International Assembly meets at an appropriate point in the period September to November each year and the meeting is timed to enable Council and Assembly members to meet and interact in a joint discussion session.

Details of the terms of reference of the International Assembly are available on request from ACCA.

Senior management and remuneration
The Chief Executive, four Executive Directors (year ended 31 March 2019: five) and two Lead Market Directors (year ended 31 March 2019: nil) form the Executive Team and are responsible for the day-to-day management of ACCA on behalf of Council and for the implementation of Council policy. In the previous year two independent non-executive advisors also formed part of the Executive Team.

The total salary (including bonus and allowance paid) and benefits of the Chief Executive in the year ended 31 March 2020 was £417,424 (year ended 31 March 2019: £441,427). This includes a fixed non-pensionable allowance in lieu of pension benefits, introduced in August 2013 when the Chief Executive agreed to vary her contract of employment following the closure of the defined benefit pension scheme and an additional allowance in lieu of pension contributions – see 'Pensions and Benefits' below.

Following a recommendation by the Chief Executive to the Remuneration Committee, it was agreed that no performance bonus would be awarded to the Executive Team for the year ended 31 March 2020.

When reviewing the salaries of the members of the Executive Team, the Remuneration Committee takes into account the salary increases applying to the rest of the workforce and external benchmark data. External benchmark data is obtained on pay in other professional membership associations (including a subgroup of accountancy associations) and general industry data for organisations of a similar size.

In 2019-20 contribution-based pay was fully embedded within ACCA. This new process of awarding annual salary increases was introduced in 2018 for all employees across ACCA globally. Under this new process employees receive an annual increase based upon their performance in role and position in range. Salary increases for employees were effective from 1 April 2019. Salary increases for Executive Team members were also effective from 1 April 2019. Increases were based on external benchmarking data and followed principles similar to those underpinning the salary increases awarded to all employees.

The base salaries of the Chief Executive, Executive Directors and Lead Market Directors at 31 March 2020 are shown below on a banded basis.

	Number of employees (2019-20)	Number of employees (2018-19)
£340,000 - £369,999	1	0
£310,000 - £339,999	0	1
£220,000 - £249,999	1	1
£190,000 - £219,999	5	2
£160,000 - £189,999	0	2

Remuneration for 2019-20 and 2020-21
In light of the economic environment and uncertainty created by the Covid-19 outbreak, the Chief Executive recommended to the Remuneration Committee that the Executive team will forgo any performance-related remuneration in respect of 2019-20 performance and their salaries should be frozen for the coming year. The Committee approved these proposals.

Pension and Benefits

The Chief Executive and Executive Directors in the defined benefit scheme ceased accruing benefits in July 2013 at which point all employees were provided with defined contribution benefits from the UK's existing defined contribution pension plan. The decision to close the defined benefit pension scheme reflected the need to ensure that the benefits delivered are sustainable for the longer term.

Three of the Executive Team are members of the defined contribution pension plan in the UK. All employees close to the lifetime allowance may elect to take a non-consolidated cash allowance in lieu of employer pension contributions and two Executive Team members, including the Chief Executive, have previously made this election.

All employees (including the Executive Team) can receive up to 9% of salary as an employer contribution (dependent on an employee contribution of at least 6% of salary) and are able to participate in the flexible benefits offering which is available to all ACCA staff.

It is ACCA's policy to provide the following Group funded benefits to each member of the Executive Team:

- Private Healthcare (family cover)
- Bi-annual Health screening
- Disability income protection
- Life insurance
- Critical illness cover

Executive Team Reward Plan

On an annual basis, Council's Remuneration Committee uses the Key Performance Indicators (KPIs) agreed by Council to determine the reward plan for the Executive Team for that year. This reward solution is structured to drive behaviour and performance that is appropriate for ACCA. Remuneration Committee uses a reward framework which includes measures and targets agreed by Council, all of which are externally audited. This is a fair, transparent reward approach which has been created in line with ACCA's reward principles, supporting the achievement of our strategy and assessing performance over a meaningful period that reflects our focus on sustained performance, suitable for a long-term business. The basis of the award is transparent through the use of relevant and measurable performance targets that are clearly linked to driving value.

An element of the Reward Plan is determined by reference to personal performance rather than ACCA performance as set out above. The Committee will determine the level of award against personal performance in respect of the Chief Executive who will determine the level of award against personal performance in respect of each of the Executive Directors.

Employee Disciplinary Arrangements

A legal review of the employment contracts in place for senior staff has previously been undertaken to assess them against the fundamental principles of the ACCA Code of Ethics. The review confirmed that current employment contracts are consistent with all of the code's principles and in terms of employment law are in line with best practice in all material respects.

The review, which ACCA still considers relevant, established unequivocally that appropriate arrangements are in place to address any disciplinary issues which may arise.

Employees

ACCA is committed to ensuring that employees are engaged in their work and committed to ACCA's goals and values. Further details about ACCA's commitments to and engagement with staff are included in ACCA's Integrated Report.

General Data Protection Regulation (GDPR)

GDPR came into effect on 25 May 2018 and ACCA has policies, privacy statements and procedures to comply with the GDPR and provides training to all staff as appropriate.

Council members' confirmation

In so far as each of the Council members are aware, they have taken all the steps that they ought to have taken to make themselves aware of any relevant information needed by ACCA's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Council members are not aware of any relevant audit information of which the auditor is unaware.

Report from the audit committee

For the year ended 31 March 2020

Role of the Committee

The Audit Committee reports to the Council Board and its activities are guided by terms of reference approved by Council.

The Committee provides oversight of the financial information published by ACCA, ensuring that appropriate internal controls and processes are in place to safeguard the integrity of that information. The Committee also oversees the relationship with the external auditor, ensuring that appropriate processes are in place for the appointment and remuneration of the auditor and that the auditor's independence is not compromised. The Committee is also responsible for reviewing the effectiveness of ACCA's risk management processes and processes for ensuring compliance with governance arrangements across its operations globally.

The Chair of the Committee provides an annual report to Council and reports to the Council Board following each meeting on the Committee's activities, both carried out and planned.

Details of the terms of reference for Audit Committee are available on request from ACCA.

Committee membership

Brendan Sheehan chairs the Audit Committee. He is a fellow of ACCA and has been a member of Council since 2014. Brendan is the CEO of White Squires, a company which provides Finance Transformation Management services in Australia. Prior to this, Brendan led the National Commercial Management Team at Colliers International in Sydney. He has almost 30 years' experience working with businesses in many industries in Ireland, Australia and Asia Pacific. Council therefore considers that he has had recent relevant financial experience. The remaining Committee members, noted below, are all fellows of ACCA and also have extensive business experience.

The members of Audit Committee during the year and their attendance at meetings were:

Chairs:	**Meetings attended**
Orla Collins, FCCA MSc LCOI QFA LIB (to 21/11/19)	3/3
Brendan Sheehan, FCCA (from 21/11/19)	1/1

Other members:	
Susan Allan, FCCA (from 21/11/19)	1/1
Mohd Nasir Ahmad, FCCA CA(M) MBA (to 21/11/19)	3/3
Paula Kensington, FCCA GIA	4/4
Arthur Lee, FCCA HKICPA ACMA CPA (from 21/11/19)	1/1
Lock Peng Kuan, FCCA (from 21/11/19)	1/1
Datuk Zaiton Mohd Hassan, FCCA	4/4
Siobhan Pandya, FCCA	4/4
Brendan Sheehan, FCCA (to 21/11/19)	3/3
Alice Yip, FCCA HKICPA CIA	4/4

The Audit Committee met four times during the year.

Appointments to the Committee are made by the Nominating and Governance Committee and are for a one-year term. The Chair of the Committee may serve for a maximum of three years. Meetings are scheduled to ensure that matters in Council's annual work plan which relate to Audit Committee responsibilities are considered on a timely basis.

Both the external auditor and the Head of Internal Audit have direct access to the Chair and are entitled to attend Committee meetings.

In making appointments to the Audit Committee, Nominating and Governance Committee considers the following specific skills criteria:

- experience in the operations of a large and complex organisation
- extensive knowledge and experience of ACCA's strategies and activities
- knowledge and experience of risk management and internal control processes
- suitably inquisitive nature to ensure that matters before the Committee are subject to appropriate and robust scrutiny
- recent experience/knowledge of current financial reporting/auditing standards
- awareness of good corporate governance practices
- experience of working with an Audit Committee.

Significant issues related to the financial statements
Following the issuance of the revised ISA (UK) 700 Audit Report in 2016, the Committee requested that its external auditor adopt the enhanced audit report and the necessary changes were made to the audit engagement letter to facilitate that.

The Committee considered the following matters, which it considers to be significant, in its review of the financial statements. In arriving at its view of these matters, the Committee made appropriate challenges of management to receive the required assurances.

- **Revenue recognition, including the completeness, existence and accuracy of income recognised in the year** – ACCA's main income is derived from subscription income and examination income. A key risk is that recognition of those income streams is incorrect due to timing differences in the key business processing dates and the financial year-end. Following the implementation of IFRS 15 *Revenue from Contracts with Customers* the Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period.
The Committee has also placed reliance on the historic accuracy of income cut-off and an adjustment to income is made each year which reflects the anticipated value of income reversed due to the removal of students and members. Due to the impact of Covid-19, the Committee challenged management in relation to IFRS 9 *Financial Instruments* and the possibility of higher expected credit losses. Under IFRS 9, ACCA has reviewed its expected credit losses in relation to members and students being unable to pay fees and subscriptions and has recognised further losses to reflect the uncertainty of this. Based on scrutiny of this adjustment by the Committee, it is satisfied that these removals relate mainly to students and members billed in advance of services being provided. The Committee agrees with management's representation of income.

- **Existence and valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS 38 are met. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria. Management carry out an annual impairment review of those assets that are capitalised. That impairment review, which included assessing the impact of Covid-19, identified that there were no intangible assets requiring impairment at the balance sheet date. Management's view is that this approach to impairment addresses the risk of intangible assets being held at inappropriate carrying values. The Committee is satisfied with the approach adopted by management.

- **Valuation and presentation of retirement benefit scheme liabilities** – the assumptions used by management for the IAS 19 valuation are derived in consultation with ACCA's external pension consultant. The consultant undertakes appropriate benchmarking to ensure that the assumptions fall within an acceptable range. Accounting disclosures required by IAS 19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. Those accounting disclosures are reviewed by the pension consultant for reasonableness. The Committee is satisfied that the reliance of management on the pension consultant and Scheme Actuaries results in appropriate accounting for and disclosure of pension matters.

Significant issues related to the financial statements (continued)

- **Lease accounting** – ACCA implemented IFRS 16 *Leases* in the financial statements using the full retrospective approach. The Committee challenged management that proper processes are in place to ensure the accounting transactions are accounted for correctly and disclosed appropriately. Based on the evidence provided and audit scrutiny the Committee is satisfied with the approach adopted by management.

- **Impact of Covid-19** – The management has considered the impact of Covid-19 on the financial statements of ACCA. The Committee challenged management in their accounting and assessment of the Covid-19 impacts on the financial statements which includes:

  a) Appropriateness of going concern in the preparation of financial statements in Accordance with IAS 1 Presentation of Financial Statements.

  b) Impairment indication and test on non-financial assets in accordance with IAS 36 Impairment of Assets.

  c) Changes in expected credit losses on financial assets in accordance with IFRS 9 Financial Instruments.

  d) Changes to right-of-use assets and liabilities in accordance with IFRS 16 Leases.

  e) Other considerations such as breach of the terms of contracts and effect of changes in circumstances which may affect recognition and measurement of revenue, deferred tax liabilities, intangible assets as well as disclosure and presentation of financial statements.

  Based on the evidence provided and audit scrutiny the Committee is satisfied with the approach adopted by management and that the financial statements can be prepared on the going concern basis.

External Audit
In keeping with good governance practice, ACCA's policy is to conduct a tender for the provision of external audit services every five years. Grant Thornton UK LLP were appointed in November 2015 following a tender process. This was subsequently ratified by Audit Committee under delegated authority from Council, in line with bye-law 40, until the close of the 2016 Annual General Meeting when Grant Thornton UK LLP were reappointed.

A robust tender process has been undertaken for the appointment of external auditor for the year ended 31 March 2021 and a proposal for reappointing Grant Thornton UK LLP was made to Council on 4 July 2020.

Prior to recommending reappointment to Council, the Committee undertakes a detailed performance review of the external auditor, which includes consideration of the FRC Audit Quality Review reports as available. A resolution regarding reappointment is considered at each AGM.

Auditor's independence, effectiveness and objectivity
The Audit Committee monitors regularly any non-audit services being provided to ACCA by the external auditor to ensure that any services provided do not impair their independence or objectivity. All non-audit services are required to be pre-approved by the Committee. Details of the amounts paid to the external auditor during the year for the audit of ACCA, its pension schemes, additional audit services relating to the audit of the corporate key performance indicators and non-audit services are set out in note 12 to the financial statements.

The Audit Committee is responsible to Council for ensuring that the external auditor remains independent of ACCA in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the membership.

The external auditor is required to rotate the audit partner responsible for ACCA audits in accordance with Financial Reporting Council (FRC) guidance.

Risk management
Council has overall responsibility for determining risk management policy and the Executive Team has responsibility for designing, implementing and maintaining systems consistent with this policy. The Executive Team does this through a process of delegating to ACCA management the responsibility for identifying, assessing and reporting risks, recording results in a hierarchy of risk registers. Risk registers are regularly reviewed by the Executive Team and, where appropriate, risks are escalated to the overarching Corporate Risk register. The Audit Committee reviews the Corporate Risk register at each meeting and also receives a detailed update on each strategic risk on a cyclical basis.

These procedures are designed to identify and manage those risks that could adversely impact the achievement of ACCA's strategy and objectives. While they do not provide absolute assurance against material misstatements or loss, Council is of the opinion that proper systems of risk management and internal control are in place within ACCA.

Internal Audit
Representatives from ACCA's Internal Audit function are invited to attend each Audit Committee meeting where assurance is provided that internal control activities, which have been subject to audit, are operating effectively.

Internal Audit produces a risk based annual plan which sets out its priorities and audit programme for the year ahead. The key driver of the plan is ACCA's Corporate Risk Register and the Strategy to 2025. The plan is approved by the Committee in advance of each year and reviewed at each Committee meeting during the year to ensure that satisfactory progress is being made both with the plan and with the implementation of any recommendations arising from the reviews undertaken. If any such recommendations are unreasonably, in the opinion of the Audit Committee, rejected or delayed by management, then these would be reported to Council. No such report was necessary in the year ended 31 March 2020.

Activity during the year
During the year ended 31 March 2020, Audit Committee has:

- reviewed the annual accounts for the year ended 31 March 2019 and recommended to Council that they be approved
- considered the appropriate accounting treatment of leased assets under IFRS 16
- reviewed the structure and content of the Integrated Report
- considered ACCA's strategic risks and underlying risk management procedures, and risk 'deep dives' into the corporate risk register risks
- reviewed the effectiveness of ACCA's internal controls
- reviewed ACCA's whistleblowing policy
- received reports from the external auditor
- received reports from the Corporate Assurance function and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditor and considered audit quality and effectiveness
- conducted a tender process to appoint the external auditor
- reviewed the Committee's own effectiveness and submitted an annual report on its performance to Nominating and Governance Committee
- received training on various subjects to enhance the Committee's knowledge in respect of specific matters.

Subsequent to the year-end, the Committee has recommended to the Council Board that it recommends to Council, that Council approves the annual accounts for the year ended 31 March 2020 and that a resolution appointing Grant Thornton UK LLP as auditor be put to the AGM in November. The Committee has also considered that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess ACCA's performance, business model and strategy.

Association of Chartered Certified Accountants

Report from the audit committee

For the year ended 31 March 2020

Summary

The Committee has fulfilled the responsibilities of its terms of reference throughout the year.

Brendan Sheehan
Chair of the Audit Committee
4 July 2020

Independent auditor’s report to the Council of Association of Chartered Certified Accountants

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of the Association of Chartered Certified Accountants and its subsidiary undertakings (the ‘group’) for the year ended 31 March 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in members’ funds, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group’s affairs as at 31 March 2020 and of its surplus for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the group financial statements’ section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Council and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group’s future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

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Overview of our audit approach

- Overall materiality: £3,461,000, which represents 1.6% of the group's total income;
- Key audit matters were identified as revenue recognition, valuation of intangible assets, valuation of defined benefit pension scheme liabilities and going concern; and
- We undertook full scope audit procedures on the significant group components ACCA company and Certified Accountants Investment Company Limited. We undertook specified or analytical procedures on the remaining components. There was no change in the scope of the group audit from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition Revenue from fees and subscriptions, together with qualifications and exams totalled £204,587,000 for the year ended 31 March 2020. The ACCA make an annual adjustment to income to reflect the anticipated value of income reversed due to the removal of students and members. There is therefore a risk that the significant income streams are not recognised in the correct financial year. Subscriptions income entitling membership over a calendar year also requires appropriate allocation to the Group's financial year. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement. .	Our audit work included, but was not restricted to: • performing proof in total calculations on fees and subscriptions and qualifications and exam incomes, with robust expectations set with reference to our interrogation of members databases, exam databases and published fee rates as adjusted for accrued and deferred income and discounts; • recalculating accrued and deferred income and comparing to management's calculation; • testing a sample of discounts in the year to supporting documentation; • performing analytical procedures and sample testing to assess and challenge judgements made by management in respect of the adjustment to income for removal of students and members; and • assessing whether the relevant accounting policy and disclosures within the financial statements were in all material respects in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The group's accounting policy on income is shown in note 2(d) to the financial statements and related disclosures are included in notes 6 and 7. The Audit Committee identified revenue recognition as a significant issue in its report on page 57, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Overall, our testing did not identify any evidence of material misstatement in respect of revenue recognition.

Key Audit Matters	How the matter was addressed in the audit
Valuation of intangible assets The group's internally generated intangible assets were valued at £13,436,000 for the year ended 31 March 2020, in accordance with International Accounting Standard (IAS) 38 'Intangible Assets'. There have been material additions in the year arising from investment in new core IT applications as well as continued investment in the 'Deliver the Qualification' programme. The identification of impairment events and associated charge, together with initial measurement require the application of significant management judgement, in particular the assessment of future economic benefits. There is a risk that the initial measurement of intangible assets is inappropriate, or management fail to identify an impairment event and the charge reported is therefore inappropriate. We therefore identified valuation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing a sample of intangible assets capitalised in the year, challenging management's assumptions relating to timing and recognition thereof and corroborating items to underlying data such as timesheet records, purchase invoices and market research; • recalculating the annual amortisation charge; • performing sensitivity analysis on growth rates and margins, in light of the impact of Covid-19, to assess and challenge management's judgement regarding future economic benefits; • comparing actual outcomes against the prior period to assess the adequacy of management's process for estimating the value of intangible assets; • assessing whether there is any evidence of material impairment that management have failed to identify; and • determining whether the relevant accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS 38. The group's accounting policy on intangible assets is shown in note 2(i) to the financial statements and related disclosures are included in note 15. The Audit Committee identified existence and valuation of intangible assets as a significant issue in its report on page 57, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** We have not identified any material misstatements from the testing performed.

Key Audit Matters	How the matter was addressed in the audit
Valuation of defined benefit pension scheme liabilities Retirement benefit obligations were valued at £17,884,000 as at 31 March 2020. The assessment of actuarial assumptions requires the application of significant judgement by management. There is a risk that management apply incorrect assumptions and therefore the reported liabilities are incorrectly stated in accordance with IAS 19 'Employee Benefits'. We therefore identified valuation of retirement scheme liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • using our internal valuation specialists as auditor's expert to challenge the key actuarial assumptions used by management's actuary, including the discount rate with reference to yield on AA-rated corporate bonds, price inflation to the Bank of England's inflation curve, pension increases to inflation assumptions, and mortality/life expectancy to S2PA and ILT15 tables; • performing reasonableness checks on interest cost and income with reference to management's actuary's assessment of the discount rate; • testing a sample of contributions paid in the year to bank statements and agreeing underlying value of assets to investment confirmations; and • assessing whether the relevant accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS 19. The group's accounting policy on pensions is shown in note 2(r) to the financial statements and related disclosures are included in note 22. The Audit Committee identified valuation and presentation of retirement benefit scheme liabilities as a significant issue in its report on page 57, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Based on our audit work, we determined the valuation methodologies and the actuarial assumptions employed by management in the valuation of defined benefit pension scheme liabilities to be reasonable.

Key Audit Matters	How the matter was addressed in the audit
Going concern As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of ACCA and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • challenging management's assumption relating to forecasts and scenario planning, including provision of online exams, volume of exams, cost savings and external bank facilities; • performing sensitivity analysis to assess management's judgement regarding future scenarios, which included reverse stress testing; • challenging management's projected minimum cash requirement and evaluating the conclusion that liquidity headroom remained in all forecast scenarios; • assessing whether there is any evidence of material issues that management have failed to identify; and • assessing whether the relevant accounting policy and disclosures within the financial statements were in all material respects adequate and appropriate in respect of Covid-19 implications on going concern. The group's accounting policy on going concern is shown in note 2(b) to the financial statements. The Audit Committee identified impact of Covid-19 on going concern as a significant issue in its report on page 58, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Based on the procedures performed, we have identified no issues regarding management's assessment of the impact of Covid-19 on the ACCA's going concern status. We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

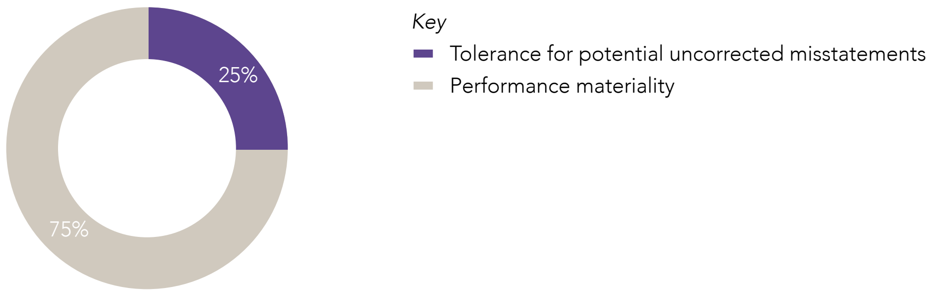
We determined materiality for the audit of the group financial statements as a whole to be £3,461,000, which is 1.6% of the group's total income. This benchmark is considered the most appropriate because it reflects the outcome of the students, affiliates and members' participation, which is a key performance indicator and driver of success.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2019 to reflect the increase in the group's total income.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We determined the threshold at which we will communicate misstatements to the Audit Committee to be £173,050. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our scope of each entity within the group which, when taken together, enable us to form an opinion on the group financial statements. We take into account size, risk profile, changes in business environment and other factors when assessing the level of work to be performed at each entity;
- We have obtained an understanding of the entity-level controls of the group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy;
- We have tailored our audit response accordingly, and for key audit matters, audit procedures were undertaken directly by the group audit team; and
- In responding to the risk of material misstatement to the group financial statements, and to ensure we had adequate coverage of significant accounts, full scope audits were undertaken on the financial information of the parent entity and all UK-based subsidiaries. In respect of the overseas subsidiaries, we performed other procedures, including analytical review, substantive testing of payroll and revenue, testing of consolidation journals and intercompany eliminations to respond to any potential risks of misstatements to the group financial statements. In total, 98% of group revenues and 96% of total assets were subject to full scope audit procedures, with the remaining revenues and total assets being subject to analytical procedures.

Other information

Council is responsible for the other information. The other information comprises the five-year summary and foreword set out on pages 2 to 5, together with the corporate governance statement and report from the Audit Committee set out on pages 46 to 60. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Council for the financial statements

As explained more fully in the Statement of Council's responsibilities set out on pages 47 to 48, Council is responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as Council determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, Council is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the ACCA's Council, as a body, in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to ACCA's Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ACCA and the ACCA's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
4 July 2020

ACCA Think Ahead